

Tennessee State School Bond Authority

A Component Unit of the State of Tennessee

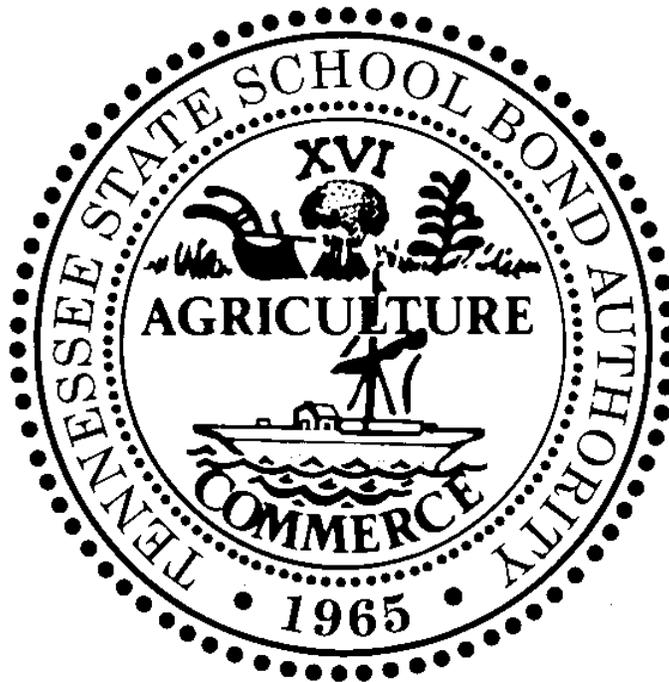


Comprehensive Annual Financial Report

For the Year Ended June 30, 2007

Tennessee State School Bond Authority Comprehensive Annual Financial Report For the Year Ended June 30, 2007

PHIL BREDESEN, Governor and Chairman



A Component Unit of the State of Tennessee

Prepared by the Comptroller of the Treasury, Division of Bond Finance

Mary-Margaret Collier
Director, Division of Bond Finance
and
Assistant Secretary, TSSBA

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INTRODUCTORY SECTION





TENNESSEE STATE SCHOOL BOND AUTHORITY

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NASHVILLE, TENNESSEE 37243-0273

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Governor Phil Bredesen, Chairman

John G. Morgan, Secretary

December 7, 2007

The Honorable Phil Bredesen, Governor and Chairman
and
Members of the Tennessee State School Bond Authority

I am pleased to submit the Comprehensive Annual Financial Report of the Tennessee State School Bond Authority (the "Authority"), a component unit of the State of Tennessee, for the fiscal year ended June 30, 2007. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

This letter of transmittal is designed to complement Management's Discussion and Analysis and should be read in conjunction with it. The Authority's Management Discussion and Analysis can be found on pages 3 - 9 of this report.

BUSINESS ENVIRONMENT

Legal Authority

The Tennessee State School Bond Authority, created in 1965, is a corporate governmental agency and instrumentality of the State of Tennessee whose purpose is to finance capital projects for public institutions of higher education located in Tennessee and to finance projects approved pursuant to the Qualified Zone Academy Bond Program of the federal government. The Authority has no taxing power. Pursuant to Section 49-3-1204, *Tennessee Code Annotated* ("T.C.A."), the Governor serves as Chairman and the Comptroller of the Treasury serves as Secretary to the Authority.

Higher Education Facilities Programs. Pursuant to the General Higher Educational Facilities Bond Resolution adopted in May 1967 ("1967 Resolution"), bonds were issued to provide funds to make loans to the institutions of higher education. In April 1998, the Authority adopted the Higher Educational Facilities Second Program General Bond Resolution ("1998 Resolution") with the same purpose. At that time, the 1967 Resolution was closed, and all bonds are now issued pursuant to the 1998 Resolution. Projects financed by the Authority must be revenue producing. The fee charged for financing a project includes both a debt service and an administrative component. The Authority has financed a variety of projects including dormitories, athletic facilities, parking facilities and major equipment purchases. These projects could be contrasted with capital projects for basic education needs such as classrooms and libraries that are funded from the proceeds of the State's general obligation bonds.

In 1997, the Authority approved a Commercial Paper Resolution that authorized the issuance of up to \$150 million. In March 2007, the Authority increased to the authorization to a maximum amount of \$250 million. The Commercial Paper is used to fund higher education facilities projects during the construction phase of the project. When the facilities are placed in service, long-term, fixed-rate debt is issued to finance the project over its useful payback period and the commercial

paper is redeemed. Certain equipment and property acquisitions are financed solely within the commercial paper program. Equipment financed solely within the commercial paper program has a useful life of five to seven years.

Qualified Zone Academy Bond Program. In 1999, the General Assembly authorized the Authority to issue Qualified Zone Academy Bonds (“QZAB”) pursuant to program requirements approved by the Congress of the United States in Section 226 of the Taxpayer’s Relief Act of 1997. These bonds are a part of a federal government program in which a federal income tax credit is given to investors in lieu of interest payments on the bonds. These bonds are issued under the provisions of the Authority’s Qualified Zone Academy Bonds First Program Resolution. They are not supported by either the 1967 Resolution or the 1998 Resolution for Higher Education Facilities. Through this program, loans are provided to local education agencies to fund the renovation of classroom buildings and to purchase equipment to enhance learning opportunities. Funding for this program is limited to the amount allocated by the federal government.

Responsibility of Management

Management assumes responsibility for the fair presentation of the financial statements found in this report in conformity with accounting principles generally accepted in the United States of America; for compliance with applicable laws, regulations, and the provisions of contracts (including bond resolutions); and for establishing and maintaining effective internal control over financial reporting, operations, and compliance

Internal Control. In developing the Authority’s accounting system, much consideration was given to the adequacy of internal accounting controls. Such controls are designed to provide reasonable, but not absolute assurance regarding (1) preventing, deterring, and detecting fraudulent activity, and (2) the reliability of financial records for preparing financial statements. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

Independent Audit Committee. T.C.A. § 4-35-101 requires that a state governing board, council, commission, or equivalent body that (a) has the authority to hire and terminate its employees or (b) is responsible for the preparation of financial statements, whether included in the financial statements of other entities or free standing, shall create an audit committee. The Authority appointed an independent audit committee on August 12, 2004.

The Authority approved an Audit Charter created by the Audit Committee on September 14, 2006. The Audit Charter defines the responsibilities of the Audit Committee as follows:

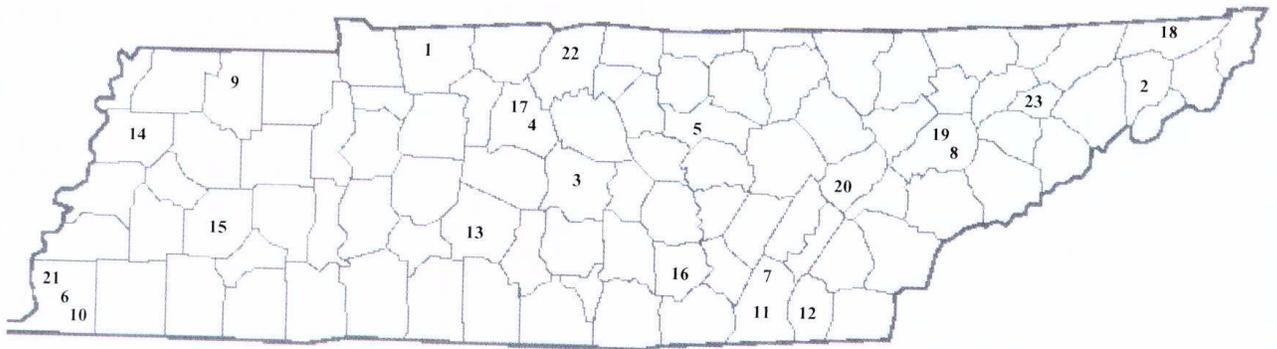
- Overseeing the Authority’s financial reporting and related disclosures, especially when financial statements are issued;
- Reviewing management’s process for assessment of risk, including fraud risk, for adequacy;
- Reviewing documentation of assessment results to determine that internal controls are sufficient to mitigate the assessed risks in the agency;
- Formally reiterating, on a regular basis, to the Authority or its management and staff, the responsibility of the Authority or its management and staff to prevent, detect and report fraud, waste and abuse;
- Serving as a facilitator of any audits or investigations of the Authority, including advising auditors and investigators of any information the Committee may receive pertinent to audit or investigative matters;
- Promptly notifying the Comptroller of the Treasury of any indications of fraud; and
- Establishing a process by which employees, taxpayers, investors or other citizens may confidentially report suspected illegal, improper, wasteful or fraudulent activity and ensure procedures exist for the receipt, retention, and treatment of such complaints.

Authority staff completed its risk assessment and submitted the risk assessment documentation to the Audit Committee. The risk assessment documentation was reviewed and approved by the Audit Committee on April 12, 2007. As a part of management’s continuing evaluation of risks, management has updated the risk assessment documentation and will present it to the Audit Committee at its next meeting.

The Borrowers

Higher Education Facilities Programs. Public higher education in Tennessee is coordinated by the Tennessee Higher Education Commission and consists of two systems: The University of Tennessee campuses governed by the University of Tennessee Board of Trustees and the state universities, community colleges, and state technology centers governed by the Tennessee Board of Regents of the State University and Community College System of Tennessee. The Boards are the governing bodies for all public higher education in Tennessee.

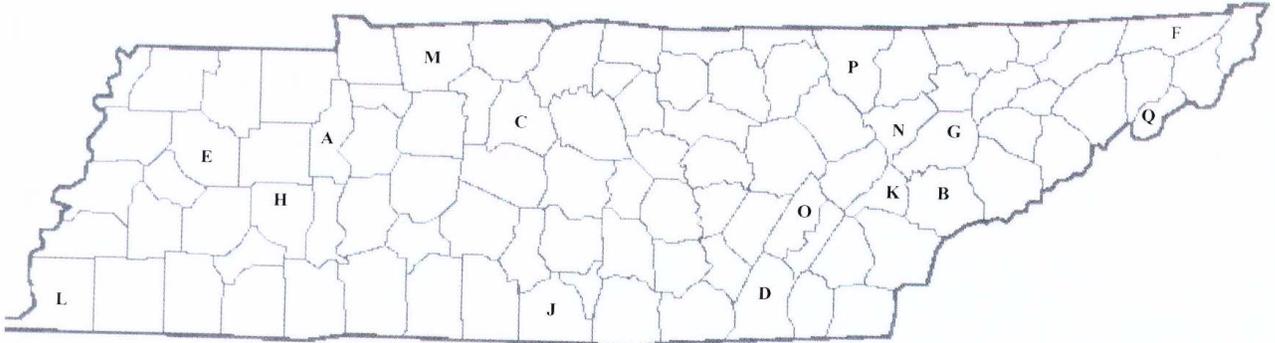
The University of Tennessee has four campuses (at Knoxville, Martin, Memphis, and Chattanooga), with 33 colleges, schools and divisions, all of which constitute a single “Institution”. The Tennessee Board of Regents governs the State University and Community College System. It currently includes 6 universities, 13 community colleges, and 28 state technology centers. The technology centers are not permitted to borrow from the Authority.



Eligible Higher Education Institutions

- | | | | |
|----|--|----|---|
| 1 | Austin Peay State University | 13 | Columbia State Community College |
| 2 | East Tennessee State University | 14 | Dyersburg State Community College |
| 3 | Middle Tennessee State University | 15 | Jackson State Community College |
| 4 | Tennessee State University | 16 | Motlow State Community College |
| 5 | Tennessee Technological University | 17 | Nashville State Technical Community College |
| 6 | University of Memphis | 18 | Northeast State Technical Community College |
| 7 | University of Tennessee at Chattanooga | 19 | Pellissippi State Technical Community College |
| 8 | University of Tennessee at Knoxville | 20 | Roane State Community College |
| 9 | University of Tennessee at Martin | 21 | Southwest Tennessee Community College |
| 10 | University of Tennessee Health Science Center at Memphis | 22 | Volunteer State Community College |
| 11 | Chattanooga State Technical Community College | 23 | Walters State Community College |
| 12 | Cleveland State Community College | | |

Qualified Zone Academy Bond Program. The QZAB program is a capital financing program originally authorized by the federal government. The borrowers of QZAB program consists of local education agencies that are governed by the Tennessee Department of Education. There are currently 16 local education agencies that are participating in the QZAB program.



Participating QZAB Local Education Agencies

- | | | | |
|---|-------------------------|---|---------------------------|
| A | Benton County Schools | J | Lincoln County Schools |
| B | Blount County Schools | K | Loudon County Schools |
| C | Davidson County Schools | L | Memphis City Schools |
| D | Hamilton County Schools | M | Montgomery County Schools |
| E | Humboldt City Schools | N | Oak Ridge City Schools |
| F | Kingsport City Schools | O | Rhea County Schools |
| G | Knox County Schools | P | Scott County Schools |
| H | Lexington City Schools | Q | Unicoi County Schools |

The Programs

Higher Education Facilities Programs. The Authority and each Board have entered into separate financing agreements under which the Authority agrees to finance projects and the respective boards agree to make payments to the Authority. Under each financing agreement, the relevant board covenants and agrees to establish and collect fees and charges at each institution at a level sufficient to produce in each fiscal year no less than two times the amount required for the payment of the aggregate of financing charges.

Qualified Zone Academy Bond Program. In Tennessee, local education agencies do not have taxing power. The power to tax is vested in cities and counties. Local education agencies receive their funding from the city and/or county where they are located. To receive a QZAB loan, a local education agency, in cooperation with its city or county, must complete an application provided by the Tennessee Department of Education. The Department of Education reviews the applications and recommends the projects deemed worthy of funding to the Authority. Each local education agency and the respective city or county enters into a loan agreement with the Authority under which the Authority agrees to finance the projects and the respective city or county agrees to repay the loan.

Future Outlook

Enrollment Trends in Higher Education. Enrollment, on a full-time equivalent basis, in four-year public institutions of higher education has increased 13.1% over the past ten years and 4.5% in two-year public institutions with a combined increase of 10.3%. The number of graduates produced by public and private high schools in Tennessee is expected to grow by about 1,600 graduates through the end of this decade. More Tennesseans have been able to attend college since the advent of the lottery in 2002, which provides funding for the Tennessee Education Lottery Scholarship program. In Fall of 2006, 69% of the freshmen in a public institution attended on a lottery scholarship. The percentage of students on scholarship was higher for universities than for community colleges. It is expected that the Tennessee Education Lottery Scholarship program will provide scholarships to more than 78,000 students in the academic year 2007-2008, and 80,000 in the academic year 2008-2009. The growing demand for higher education will guarantee that the higher education system will sustain its long-term debt commitments well into the future.

Infrastructure Demand, K-12 Education. The Tennessee Advisory Commission on Intergovernmental Relations (“TACIR”) reports that during the five year period of June 2004 to June 2009 the demand for improvements to existing schools and for technology upgrades total over \$1.296 billion with \$688 million of that being for technology. The State was allocated \$8.950 million of QZABs in 2007 to aid in funding of this demand. The Authority also has the power to intercept state-shared taxes should the community fail to make timely debt service payments.

FINANCIAL INFORMATION

Budget. The Authority has no formally approved operating budget. However, controls are in place to assure financial compliance for each project. All loans made and bonds issued must be approved by the Authority in public meetings. T.C.A. § 49-3-1201 et. seq. permits the Authority to make and collect charges from the borrowers for all fees and charges that it determines to be reasonable. These fees and charges include but are not limited to: costs of issuance for bonds, other financial fees such as the cost of bond insurance, liquidity facilities, trustee fees, and administrative costs of staff. All such fees and charges are subject to independent audit for reporting and compliance purposes.

Financial Statements. A discussion of the financial statements is included on pages 7 - 9 in the Management’s Discussion and Analysis section of this Comprehensive Annual Financial Report.

Cash Management. Permitted investments are identified in the various bond and note resolutions. Unexpended bond and note proceeds are invested by the State Treasurer in the State Pooled Investment Fund. Investments of moneys held in the debt service reserve fund are held by the Trustee. Decisions on investments in the debt service reserve fund are made by the State Treasurer’s staff in consultation with the staff to the Authority and the Trustee.

Payments made into the sinking fund for the Series 1999, 2001, and 2003 QZAB bonds are held in the State Pooled Investment Fund and invested by the State Treasurer. For the Series 2004 and 2005 bonds, however, the Authority entered into a Forward Delivery Agreements (the “Agreements”) with the Bank of America, N.A. and J.P. Morgan Chase Bank, N.A. (collectively, “the Banks”) whereby the Banks select the sinking fund investments from eligible securities defined in the Agreements. Such investments will be held by the State Treasurer in the Authority’s name. Investments are described in the Notes to the Financial Statements, Note 2, of this report.

OTHER INFORMATION

Securities and Exchange Commission Disclosures. The Tennessee State School Bond Authority has entered into a Continuing Disclosure Undertaking (“Undertaking”) with respect to certain debt issues. The Undertaking was made for the benefit of the holders of the debt pursuant to U.S. Securities and Exchange Commission Rule 15c2-12. The Authority has covenanted to provide certain annual financial information, including audited financial statements, as well as certain additional financial and operating data. Financial and operating data required pursuant to the Undertaking is included in the Comprehensive Annual Financial Report of the State of Tennessee, not in this report. The reader of the State’s

Comprehensive Annual Financial Report should use the index located at the end of that report to identify the specific pages where the information is presented.

Independent Audit. T.C.A. § 4-3-304 requires that the department of audit performs currently a post-audit of all accounts and other financial records of the state government, and any department, institution, office or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller of the treasury.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tennessee State School Bond Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the fifth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

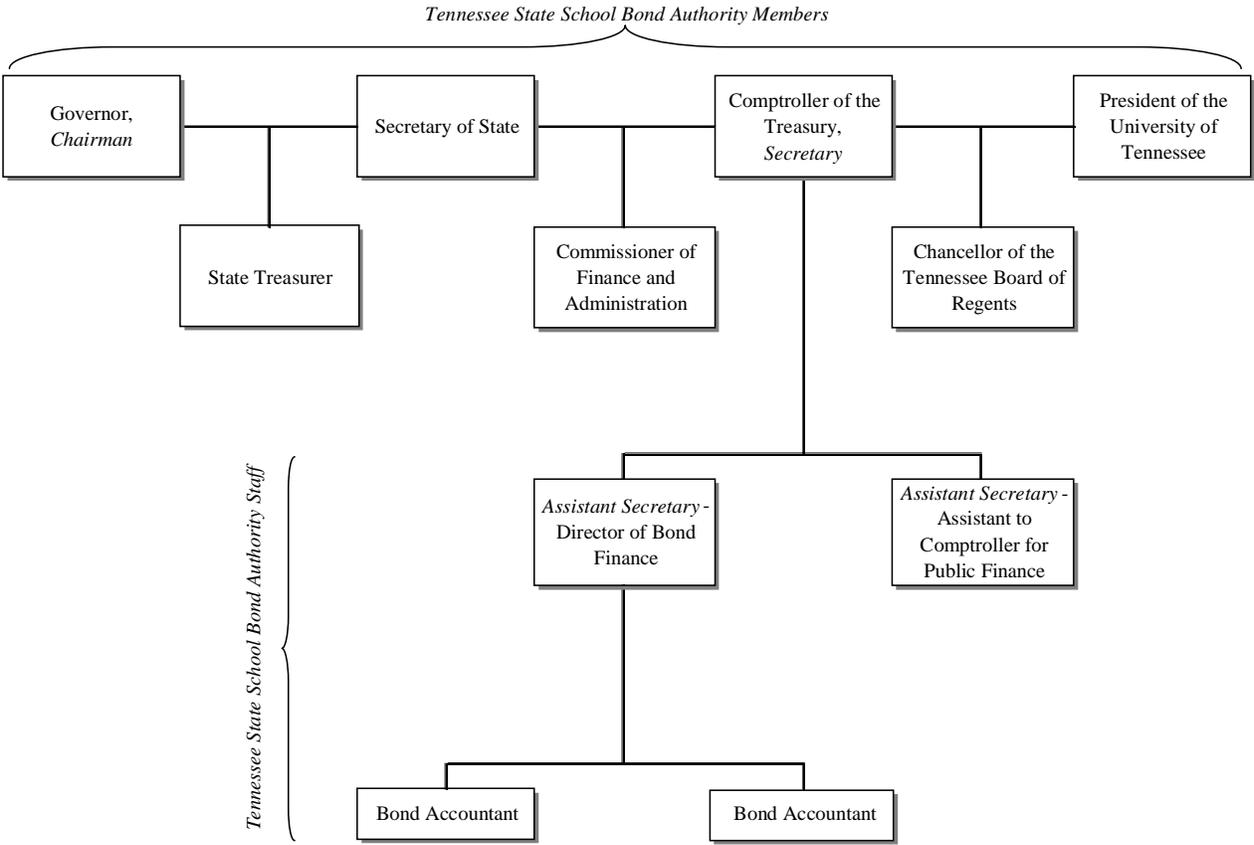
Acknowledgements. The preparation of the comprehensive annual financial report was made possible by the dedication of the staff of the Division of Bond Finance in the Office of the Comptroller of the Treasury.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mary-Margaret Collier".

Mary-Margaret Collier, Assistant Secretary
Tennessee State School Bond Authority

Tennessee State School Bond Authority Organization Chart





TENNESSEE STATE SCHOOL BOND AUTHORITY

MEMBERS

Phil Bredesen, Governor, *Chairman*

John G. Morgan, Comptroller of the Treasury, *Secretary*

Riley C. Darnell, Secretary of State

Dale Sims, State Treasurer

Dave Goetz, Commissioner of Finance and Administration

Dr. John Petersen, President of the University of Tennessee

Dr. Charles Manning, Chancellor of the Tennessee Board of Regents

STAFF

Mary-Margaret Collier, Director of Bond Finance, *Assistant Secretary*

Ann V. Butterworth, Assistant to Comptroller for Public Finance, *Assistant Secretary*

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tennessee State School Bond Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



FINANCIAL SECTION





STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Auditor's Report

December 7, 2007

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying statements of net assets of the Tennessee State School Bond Authority, a component unit of the State of Tennessee, as of June 30, 2007, and June 30, 2006, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee State School Bond Authority; approving accounting policies of the state as prepared by the state's Department of Finance and Administration; approving certain Authority contracts; participating in the negotiation and procurement of services for the state; maintaining the accounting records for the Tennessee State School Bond Authority; and providing support staff to the Authority.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee State School Bond Authority as of June 30, 2007, and June 30, 2006, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable John G. Morgan
December 7, 2007
Page Two

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The accompanying financial information listed as supplementary schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2007, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts (including the bond resolutions) and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." in a cursive script.

Arthur A. Hayes, Jr., CPA
Director

AAH/ddm

Management's Discussion and Analysis

As management of the Tennessee State School Bond Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities as presented in the financial statements and notes to the financial statements of the Authority for the fiscal year ended June 30, 2007. These activities are compared to the results of the fiscal years ended June 30, 2006, and 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on **pages i - vi** of this report.

Program Activity Highlights

The Authority's purpose is to provide loans to the State's higher education institutions by issuing bonds and notes of the Authority and to local education agencies ("LEAs") through Qualified Zone Academy Bonds ("QZABs"). The tables below summarize this business activity.

	Higher Education Facilities Programs		
	2007	2006	2005
Number of institutions with outstanding loans	23	23	23
Total number of outstanding loans	301	272	264
Balance of outstanding loans	\$695,235,390	\$578,693,784	\$ 520,133,184
Number of loans approved in fiscal year	18	19	57
Dollar value of loans approved in fiscal year	\$ 127,095,000	\$ 108,133,760	\$ 243,921,382
Dollar value of loans approved in fiscal year - unfunded	\$ 126,075,466	\$ 107,250,572	\$ 224,420,872
Dollar value of loans financed in fiscal year	\$ 145,268,339	\$ 87,819,428	\$ 57,553,324
Bonds issued in fiscal year	\$ 137,710,000	\$ 66,305,000	\$ 131,500,000
Commercial paper issued in fiscal year	\$ 131,448,000	\$ 66,000,000	\$ 44,000,000

	Qualified Zone Academy Bond Program		
	2007	2006	2005
Number of LEAs with outstanding loans	14	14	13
Total number of outstanding loans	23	23	16
Balance of outstanding loans	\$ 28,438,951	\$ 22,401,091	\$ 15,766,633
Number of loans approved in fiscal year	-	-	7
Dollar value of loans approved in fiscal year	\$ -	\$ -	\$ 14,554,567
Dollar value of loans approved in fiscal year - unfunded	\$ -	\$ -	\$ 14,554,567
Dollar value of loans financed in fiscal year	\$ 10,260,932	\$ 9,732,516	\$ 4,256,804
Bonds issued in fiscal year	\$ -	\$ 17,545,000	\$ 12,600,000

The financial statements and the analysis provided in the remainder of this report reflect the financial results of this activity.

Debt Administration

Pursuant to Section 49-3-1201 et seq., *Tennessee Code Annotated*, the General Assembly of the State created the Tennessee State School Bond Authority to issue bonds and notes to fund capital projects for the higher education institutions including both four-year institutions and two-year community colleges. Such loans are payable from user fees or savings generated from the projects in the case of energy conservation projects. In 1999 the statute was amended to authorize the Authority to issue QZABs on behalf of local education agencies throughout the State. For more specific financial information on long-term debt activity, see **Note 5, Debt Payable, on pages 25 - 32 in the Notes to the Financial Statements.**

Higher Education Facilities Programs. When an institution applies for project funding through the Authority, an analysis of the financial feasibility of each loan application is undertaken before it is approved by the Authority. Each higher education system (the University of Tennessee and the Tennessee Board of Regents) must include in its annual budget sufficient funds to repay total debt service. This pledge is a gross revenue pledge of the institution and its system. The Authority is also authorized by statute to intercept the state appropriation to that institution and system if the institution fails to make timely debt service payments to the Authority.

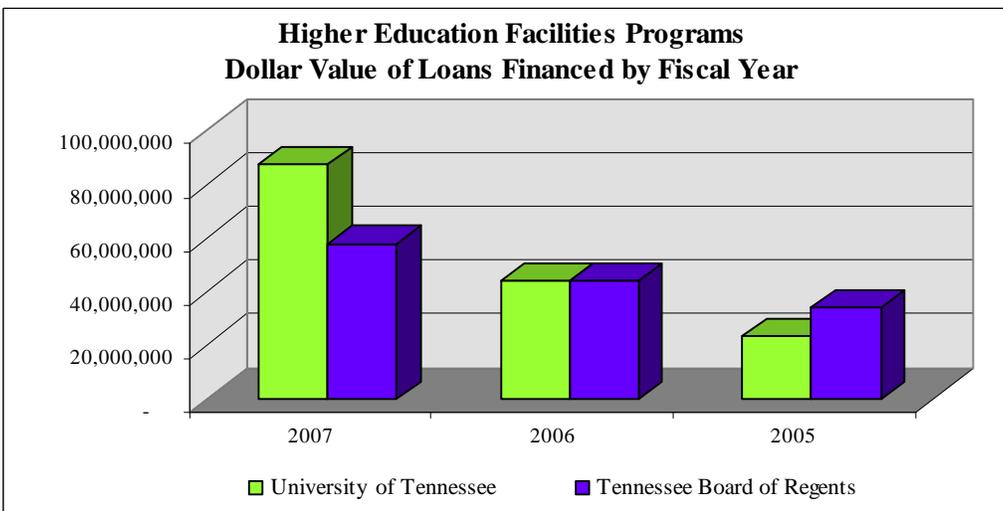
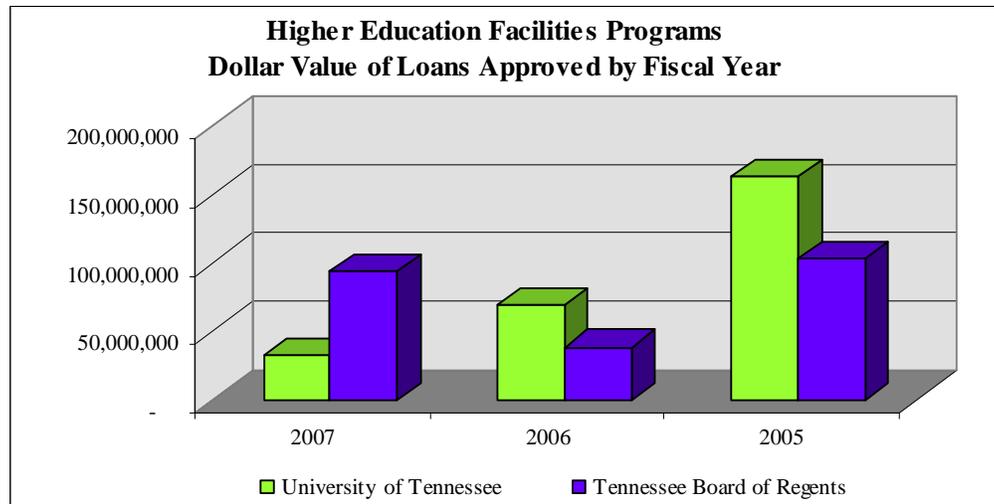
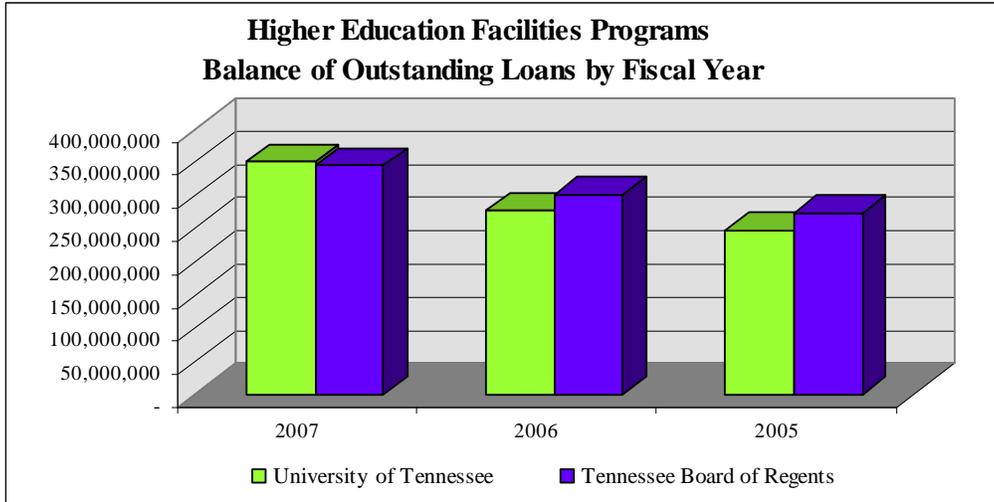
Generally under the financing program for higher education institutions, a project is funded through the Authority's commercial paper program during its construction phase. When projects totaling \$50 million or greater are completed or near completion, the Authority fixes the interest rate for the term of the project by issuing long-term debt. The range of the commercial paper interest rates are shown below for the fiscal year ended June 30, 2007, as compared to the fiscal years 2006 and 2005. The range of the commercial paper interest rates were a function of the term of the commercial paper and a volatile capital market.

Higher Education Facilities Programs Commercial Paper Interest Rates Range

Fiscal Year	Tax-Exempt		Taxable	
	Low	High	Low	High
2007	3.20%	3.85%	5.08%	5.42%
2006	2.10%	3.63%	3.07%	5.00%
2005	1.00%	3.00%	1.20%	2.80%

Effective March 30, 2007, the Authority changed liquidity providers for the commercial paper program from WestLB to State Street Bank and Trust Company under a Credit Agreement which states an expiry date of March 30, 2014, subject to extension and earlier termination. The commitment fee is .095% paid quarterly in arrears. If the liquidity facility is called upon, the Authority must repay the advance on the earlier of (i) the date of such Advance or (ii) the Termination Date. Should the Authority fail to repay the advance by the Term Loan Closing Date, the principal amount will convert to a term loan with six equal semi-annual payments. As of the fiscal year ended June 30, 2007, the Authority has not had to call upon the liquidity facility.

Interest rates on the higher educational facilities long-term fixed-rate tax-exempt bonds range from a low of 2.25% to a high of 5.00% and the interest rates on the higher educational facilities long-term fixed-rate taxable bonds range from a low of 2.80% to a high of 7.15%. By pooling the financing of their capital needs, management believes that economic efficiencies of a single large borrowing administered by one agency is achieved. The creditworthiness of both large and small institutions is homogenized into one credit resulting in a lower cost of borrowing and providing a more equitable cost to students and other users who repay the debt through various user fees and charges and student debt service fees. Additional benefits accrue to the higher education institutions and the two systems by having one point of debt issuance and administration for all institutions of higher education throughout the state.

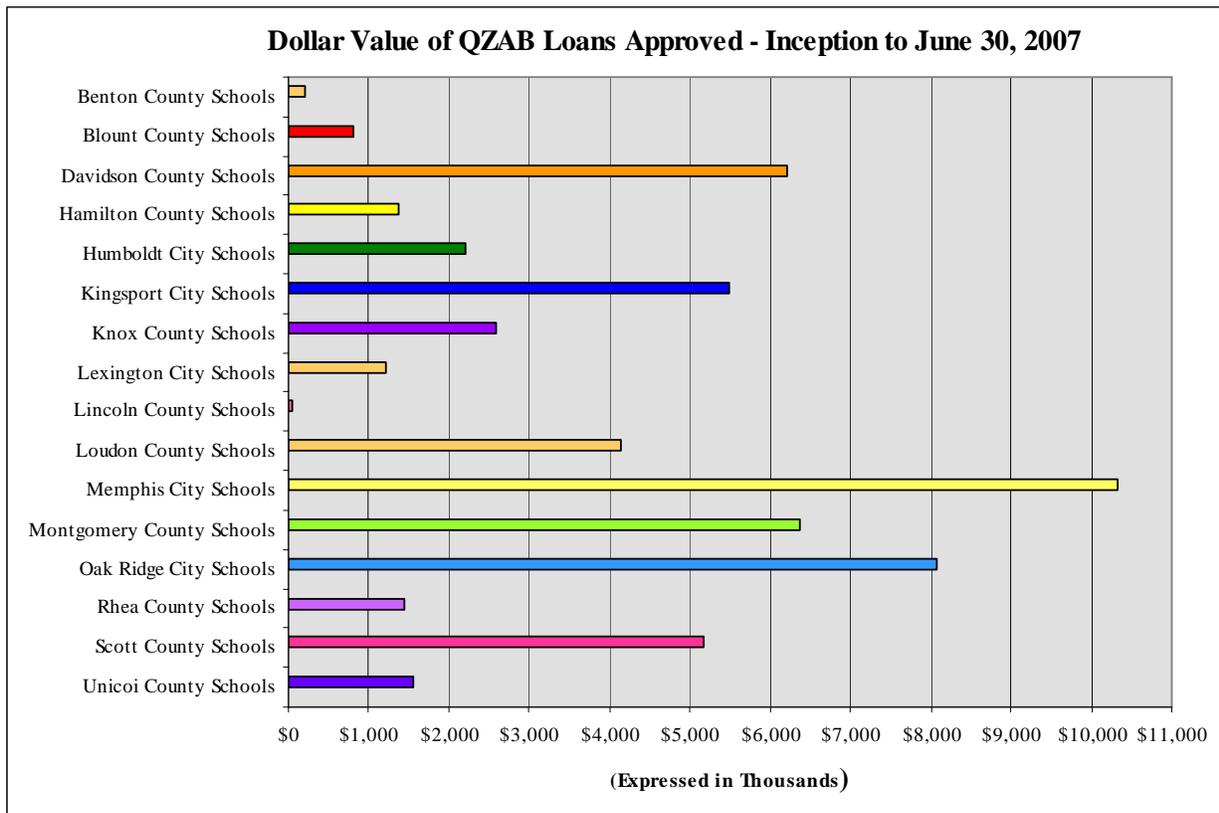


As of the fiscal year ended June 30, 2007, the Authority's higher education facilities program was rated AA, Aa3, and AA- by Fitch, Moody's Investors Service and Standard & Poor's Rating Group, respectively. During the fiscal year, the Authority hosted a rating presentation at the University of Memphis, Memphis, Tennessee, for each of the rating agencies. As a result of the presentation in August 2007, Moody's upgraded the Authority's rating to Aa2,

Standard & Poor's upgraded the Authority's rating to AA, and Fitch maintained its rating of AA. Moody's commented that the upgrade reflected the improved prospects for state funding for public higher education in the state and the centralized stewardship of higher education capital and debt programs, combined with the strong fundamental credit quality of the public higher education system in Tennessee. Standard & Poor's cited the reason for the upgrade was the increasing system revenue fees which provide strong debt service coverage, as well as an improved state funding environment and strong debt management.

Qualified Zone Academy Bond Program. The QZAB program is a capital financing program originally authorized by the federal government under the Taxpayer Relief Act of 1997, Section 227(a). A QZAB is a taxable bond issued by the State, the proceeds of which are used to finance certain eligible public schools' renovation projects and equipment purchases. During the time the bond is outstanding, an eligible holder of a QZAB is generally allowed annual federal income tax credits in lieu of receiving periodic interest payments from the issuer. These credits compensate the holder for lending money to the borrower and function as payments of interest on the bonds. The Tennessee Department of Education distributes the application for a QZAB allocation to all local education agencies in the State. The Department recommends those projects that best meet the requirements of the program to the Authority for funding.

The local education agencies and the city or county supporting the agency must provide a general obligation pledge to the Authority for the repayment of its loans. The Authority is authorized to intercept the local community's state-shared taxes, should the local education agency/local government fail to repay its loan timely.



Overview of the Financial Statements

The Authority is a discretely presented component unit of the State of Tennessee and uses proprietary fund accounting. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting and the flow of economic resources measurement focus. This basis recognizes revenues when earned and expenses at the time liabilities are incurred. Using the economic resources measurement focus, a reader is presented information that allows him/her to determine the transactions and events that have increased or decreased the total economic resources for the period.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: 1) the basic financial statements and 2) notes to the financial statements. The basic financial statements consist of the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

The Statements of Net Assets found on **page 13** depict the Authority's financial position at June 30, 2007, and June 30, 2006. The Statements of Revenues, Expenses and Changes in Net Assets found on **page 14** portray the results of operations and the change in net assets for the years presented. The Statements of Cash Flows found on **pages 15 - 16** summarize the sources and uses of cash for the fiscal years presented. These statements are accompanied by notes to the financial statements that provide information that is essential to the reader's understanding of the financial statements. The Authority's basic financial statements are followed by supplementary information containing the financial statement information at the program level.

Financial Analysis of the Authority

Standard indicators of financial success are not applicable to the Authority. The financial goal of the Authority is to provide timely access to the capital markets for qualified educational institutions at the lowest possible cost. The Authority successfully achieved this goal. The Authority frequently entered the short-term market with great success. Likewise, when long-term debt was sold in 2006, at competitive sale, eight syndicates placed bids for the offered bonds. There were no incidents requiring the Authority to draw from the debt service reserve fund or refuse a loan from an applicant due to the inability to obtain capital funding. In the fiscal years ending June 30 2005, and June 30, 2007, the Authority issued refunding bonds that were sold at a negotiated sale which generated net present value savings of \$7,238,342 and \$3,629,728, respectively.

Statements of Net Assets Summary			
(in thousands)			
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current assets	\$ 66,939	\$ 139,409	\$ 81,717
Noncurrent assets	<u>725,350</u>	<u>599,791</u>	<u>536,800</u>
Total assets	<u>792,289</u>	<u>739,200</u>	<u>618,517</u>
Current liabilities	35,945	35,680	27,532
Noncurrent liabilities	<u>748,787</u>	<u>696,923</u>	<u>584,185</u>
Total liabilities	<u>784,732</u>	<u>732,603</u>	<u>611,717</u>
Net assets (unrestricted)	<u>\$ 7,557</u>	<u>\$ 6,597</u>	<u>\$ 6,800</u>

Note: The Authority owns no capital assets.

Current assets include approximately \$15,828,845 of unexpended bond proceeds and commercial paper at June 30, 2007, that will fund approved loans, as compared to approximately \$97,900,057 at June 30, 2006, and approximately \$45,889,000 at June 30, 2005. During the fiscal year ending June 30, 2007, the Authority issued \$137,710,000 in Higher Education Facilities Second Program Bonds which were used to retire \$28,735,849 of commercial paper proceeds and partially refund a portion of the 1996B, 1996C, 1998A and 2002A bonds with the remainder to fund various costs for the projects involved. The refunding resulted in a net present value savings of \$3,629,728. During the year ended June 30, 2006, the Authority issued \$66,305,000 in Higher Education Facilities Second Program Bonds which were used to retire \$55,474,000 of commercial paper proceeds with the remaining proceeds used to fund various costs needed to complete the projects involved in the bond issue. During the fiscal year 2005, the Authority issued \$131,500,000 in Higher Education Facilities Second Program Bonds which were used to refund \$126,955,000 aggregate principal amount from a portion of the 1998A, 1998B, 1998C, 2000A, 2000B, and 2002A bonds that resulted in net present value savings of \$7,242,141. The Authority also issued \$17,545,000 of Qualified Zone Academy Bonds during the year ended June 30, 2006, and \$12,600,000 during the year ended June 30, 2005. Principal payments were made on the long-term bonds in the amount of \$28,497,000 in

2007; \$22,201,000 in 2006; and \$22,569,000 in 2005. During 2007 the Authority issued \$131,448,000 in new commercial paper and redeemed \$96,299,000. The Authority issued \$66,000,000 in new commercial paper and redeemed \$11,196,000 during 2006 and issued \$44,000,000 in new commercial paper and redeemed \$1,914,000 during 2005. There were no QZAB's issued in the fiscal year ended June 30, 2007.

The net assets are available to fund ongoing operations and other expenses necessary to meet the goals of the Authority. The increase in net assets during the year ending 2007 was primarily related to the increase in earnings on the Authority's loans and investments. The decrease in net assets during the year ended June 30, 2006, was mostly due to the issuance of the 2006 Series A and Series B bonds. The funds from the 2006 series bonds will be used to refund commercial paper proceeds, however, the commercial paper proceeds were not refunded until after the year ended June 30, 2006, thus leaving the commercial paper payable due at year end. The Authority continues to absorb certain administrative costs associated with bonded indebtedness of the higher education facilities program rather than passing those costs to the borrowers of the higher education facilities program.

Statements of Revenues, Expenses, and Changes in Net Assets Summary (in thousands)			
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating Revenues			
Revenue from loans	\$ 30,157	\$ 26,841	\$ 27,027
Investment earnings	<u>1,975</u>	<u>1,761</u>	<u>1,138</u>
Total operating revenue	<u>32,132</u>	<u>28,602</u>	<u>28,165</u>
Operating Expenses			
Interest expense	28,496	26,476	25,855
Subsidy to borrowers	1,578	1,440	847
Other expenses	<u>1,098</u>	<u>889</u>	<u>843</u>
Total operating expenses	<u>31,172</u>	<u>28,805</u>	<u>27,545</u>
Operating income (loss) and change in net assets	<u>\$ 960</u>	<u>\$ (203)</u>	<u>\$ 620</u>
<i>Note: The Authority has no non-operating revenues or expenses.</i>			

The Authority's operating revenues include revenue from loans in the form of administrative fees, interest on loans, and investment income earned on cash. Operating expenses include interest expense on outstanding bonds and commercial paper, administrative expenses, and the amortization of bond costs of issuance. The Authority elected to return the investment income that it earns on funds held by the Trustee and interest earned on unspent bond proceeds as a subsidy to its borrowers in the higher education facilities program.

Pursuant to the bond resolution for the QZABs, Sinking Fund payments are invested in the State Pooled Investment Fund (the "SPIF"). SPIF rates for 2007 ranged from 5.09% to 5.30%. Investment earnings related to the QZAB program are held by the Authority for the benefit of the local education agencies and credited to their individual loans annually. Pursuant to the bond resolution for the 2004 and 2005 Series QZABs, sinking fund payments are invested in Forward Delivery Agreements which guarantees a fixed rate of interest of 3.00% and 3.64%, respectively, on investments. The investments are held by the State Treasurer in the Authority's name.

The increase in operating income and change in net assets between the fiscal years 2007 and 2006 was mostly affected by the Authority's investments and proceeds from the collection on loans earning a higher rate in fiscal year 2007 than in fiscal year 2006. The majority of the investment earnings pertain to the funds invested in the State Pooled Investment Fund which earned at an average interest rate of 5.254% in fiscal year 2007 as compared to an average interest rate of 4.063% in fiscal year 2006. The decrease in operating income and change in net assets between the fiscal years 2006 and 2005 was mostly affected by the Authority's increase in interest expense due to the markets rising rates and an increase to subsidy to borrowers. The investment earnings are a function of prevailing market interest rates and the daily invested balance.

Economic and Demographic Factors Affecting Future Financing Activities

Higher Education Facilities Programs. As Tennessee enters an economic era that emphasizes the human capital potential of its citizens rather than physical capital and natural resources, the higher education system must be positioned to serve the broader-based need for access to post-secondary education. A host of policy and environmental factors influence both demands for access and the means through which this demand will be met. These factors include:

- The advent of the Tennessee Education Lottery Scholarship program allowed more Tennesseans to attend college. In 2007-2008, the Tennessee Lottery will provide an estimated \$233 million in scholarships to more than 78,000 students.
- Tennessee will experience sustained enrollment growth throughout the remainder of the decade as a result of the baby-boom echo. According to the Southern Regional Education Board, the number of high school graduates in the state of Tennessee will increase by more than 1,600 students through the end of this decade. We anticipate that many of these students will matriculate through Tennessee's higher education system.
- The demographic composition of the state is changing dramatically and the higher education system must position itself to serve the needs of an increasingly diverse population.

In the Knowledge Economy, the importance of receiving training beyond high school is significant. Presently, 21.7 percent of Tennesseans aged 25 and older hold a college degree, compared to the national average of 27.0 percent. In order to reach the average educational attainment levels of our border-states, Tennessee would need to immediately create more than 108,600 new college graduates. Furthermore, the percentage of adults in the state with an associate degree or some college in 2006 was 24.9 percent, in comparison with the national average of 26.9 percent. The availability of new and/or improved learning facilities near work and home will have a major impact on the State's success in achieving these goals.

Qualified Zone Academy Bond Program. As of June 30, 2007, the QZAB program had unused allocations totaling \$20,055,000. Of this amount, \$2,155,000 remains from the 2005 federal government allocation. If bonds are not issued on or prior to December 31, 2007, the remaining 2005 allocation will be forfeited. During fiscal year 2007, the federal government issued the 2006 and 2007 allocations of \$8,950,000 for each year. The State has up to two years after the yearly allocations are made by the federal government to issue bonds or the allocations will be forfeited. Also, during the fiscal year, the federal government put in new regulations with changes to the issuance of QZAB bonds and the treatment of arbitrage and rebate. The Authority staff along with the staff of the Department of Education is encouraging local education authorities, cities and counties to take advantage of these interest-free loans.

Contacting the Authority's Management Team

This discussion and analysis is designed to provide our citizens, education agencies, investors and creditors with a general overview of the Authority's finances and to demonstrate its accountability for the monies it receives. If you have questions about this report or need additional financial information, contact the Director of Bond Finance, State of Tennessee, Suite 1600, James K. Polk Building, Nashville, Tennessee 37243-0273, visit our website at www.comptroller.state.tn.us/cpdivbf.htm, or call (615) 401-7872.



BASIC FINANCIAL STATEMENTS



TENNESSEE STATE SCHOOL BOND AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2007, AND JUNE 30, 2006

(Expressed in Thousands)		
	June 30, 2007	June 30, 2006
ASSETS		
Current assets:		
Cash (Note 2)	\$ 30,494	\$ 104,857
Investments with fiscal agent (Note 2)	32	216
Loans receivable (Note 3)	31,171	29,903
Interest receivable (Note 3)	4,813	4,051
Receivables for administrative fees (Note 3)	429	382
Total current assets	66,939	139,409
Noncurrent assets:		
Restricted cash (Notes 2 and 4)	15,566	11,160
Restricted investments (Notes 2 and 4)	10,525	10,891
Loans receivable (Note 3)	692,504	571,192
Deferred charges	6,755	6,548
Total noncurrent assets	725,350	599,791
Total assets	792,289	739,200
LIABILITIES		
Current liabilities:		
Accounts payable	-	171
Due to local education authorities	-	2,143
Accrued interest payable	4,983	4,611
Unearned revenue (Note 6)	1,461	1,413
Bonds payable (Note 5)	29,501	27,342
Total current liabilities	35,945	35,680
Noncurrent liabilities:		
Unearned revenue (Note 6)	9,345	12,404
Commercial paper payable (Note 5)	164,195	129,046
Bonds payable (Note 5)	575,247	555,473
Total noncurrent liabilities	748,787	696,923
Total liabilities	784,732	732,603
NET ASSETS		
Unrestricted	\$ 7,557	\$ 6,597

The notes to the financial statements are an integral part of this statement.

TENNESSEE STATE SCHOOL BOND AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2007, AND JUNE 30, 2006

(Expressed in Thousands)

	<u>Year Ended June 30, 2007</u>	<u>Year Ended June 30, 2006</u>
OPERATING REVENUES		
Revenue from loans	\$ 30,157	\$ 26,841
Investment earnings	<u>1,975</u>	<u>1,761</u>
Total operating revenues	<u>32,132</u>	<u>28,602</u>
OPERATING EXPENSES		
Interest expense-commercial paper	4,405	3,482
Interest expense-bonds	24,091	22,994
Subsidy to borrowers	1,578	1,440
Administrative expense	663	539
Amortization of bond issuance costs	<u>435</u>	<u>350</u>
Total operating expenses	<u>31,172</u>	<u>28,805</u>
Operating income (loss) and change in net assets	960	(203)
Net assets, July 1	<u>6,597</u>	<u>6,800</u>
Net assets, June 30	<u><u>\$ 7,557</u></u>	<u><u>\$ 6,597</u></u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE STATE SCHOOL BOND AUTHORITY
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

(Expressed in Thousands)

	<u>Year Ended</u> <u>June 30, 2007</u>	<u>Year Ended</u> <u>June 30, 2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from borrowers for administrative fees	\$ 392	\$ 373
Payment to suppliers	(682)	(539)
Receipts from borrowers to the interest rate reserve fund	541	349
Payments to borrowers from the interest rate reserve fund	<u>(427)</u>	<u>(50)</u>
Net cash provided by (used in) operating activities	<u>(176)</u>	<u>133</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from sale of bonds	48,264	83,239
Proceeds from sale of refunding bonds	95,929	-
Proceeds from sale of commercial paper	131,448	66,000
Bond issuance costs paid	(291)	(472)
Refunding bond proceeds placed in escrow	(95,881)	-
Principal paid - bonds and commercial paper	(124,796)	(33,397)
Interest paid - bonds and commercial paper	(27,473)	(25,005)
Subsidy to borrowers	<u>(1,621)</u>	<u>(1,459)</u>
Net cash provided by noncapital financing activities	<u>25,579</u>	<u>88,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(11,950)	(16,823)
Proceeds from sales and maturities of investments	12,608	18,980
Interest received on investments	1,719	1,372
Loans issued	(157,854)	(96,024)
Collection of loan escrow	-	1,048
Loan escrow paid	(130)	(44)
Collections of loan principal	32,701	33,433
Interest received on loans	<u>27,546</u>	<u>24,514</u>
Net cash used in investing activities	<u>(95,360)</u>	<u>(33,544)</u>
Net increase (decrease) in cash	(69,957)	55,495
Cash, July 1	<u>116,017</u>	<u>60,522</u>
Cash, June 30	<u>\$ 46,060</u>	<u>\$ 116,017</u>

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TENNESSEE STATE SCHOOL BOND AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

(Expressed in Thousands)

Reconciliation of cash to the Statement of Net Assets:

Cash	\$ 30,494	\$ 104,857
Restricted cash	<u>15,566</u>	<u>11,160</u>
Cash, June 30	<u>\$ 46,060</u>	<u>\$ 116,017</u>

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

Operating income (loss)	<u>\$ 960</u>	<u>\$ (203)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Amortization of bond issuance costs	435	350
Investment earnings	(1,975)	(1,761)
Interest expense	28,496	26,476
Subsidy to borrowers	1,578	1,440
Interest income from loans	(29,719)	(26,455)
Changes in assets and liabilities:		
(Increase) decrease in receivables for administrative fees	(46)	(13)
(Increase) decrease in payables for administrative fees	(19)	-
Increase (decrease) in unearned revenue	<u>114</u>	<u>299</u>
Total adjustments	<u>(1,136)</u>	<u>336</u>
Net cash provided by (used in) operating activities	<u>\$ (176)</u>	<u>\$ 133</u>

Noncash financing activities:

Accretion of capital appreciation bonds	\$ 631	\$ 769
Bond issuance costs	<u>(6,077)</u>	<u>491</u>
Total noncash financing activities	<u>\$ (5,446)</u>	<u>\$ 1,260</u>

Noncash investing activities:

Net appreciation in value of investments reported at fair value	<u>\$ 29</u>	<u>\$ 75</u>
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The notes to the financial statements are an integral part of this statement.

Tennessee State School Bond Authority
Notes to the Financial Statements
June 30, 2007, and June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Tennessee State School Bond Authority (the Authority) was created to provide a mechanism for financing capital projects for the state's higher education institutions. In addition, during 1999, the General Assembly empowered the Authority to issue Qualified Zone Academy Bonds (QZABs) for financing improvement projects to local education agencies pursuant to the federal program authorized in the Taxpayer Relief Act of 1997.

The Authority is a component unit of the State of Tennessee (the State) and a separate legal entity. In accordance with the Governmental Accounting Standards Board's (GASB) Statement No. 14, *The Financial Reporting Entity*, the Authority is discretely presented in the *Tennessee Comprehensive Annual Financial Report* because the Authority's board consists of state officials and, therefore, the state has the ability to affect the day-to-day operations of the Authority.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority has the option of following subsequent private-sector guidance subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Tennessee State School Bond Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. The Authority's principal operation is to provide loans to higher educational facilities and to local government units pursuant to the criteria

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

set for by the federal government for the QZAB program. Therefore, the Authority also recognizes income on investments as operating revenue. The Authority's operating expenses include interest paid on borrowings, subsidies to borrowers, bond issuance costs, arbitrage, and administrative expenses. Any revenues and expenses not meeting this definition would be reported as nonoperating revenues and expenses.

Investments

Investments are stated at fair value.

Amortized Amounts

- A. Bond Issuance Costs. The Authority amortizes bond issuance costs using the straight-line method over the life of the bonds. Unamortized bond issuance costs are reported as deferred charges.

- B. Bond Discounts, Premiums, and Deferred Amount on Refundings. The Authority amortizes bond discounts and premiums using the straight-line method over the life of the bonds. The deferred amount on refundings is amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Bonds payable are reported net of the applicable unamortized bond discount or premium and the unamortized deferred amount on refundings.

Amortization of bond discount, premium, and deferred amount on refundings is reported with bond interest expense in the financial statements.

- C. Accretion. The difference between the face amount of College Saver Bonds (capital appreciation bonds) and the public offering price is not treated as bond discount. Capital appreciation bonds are subject to redemption at prices which increase from the initial public offering price to the face amount. The carrying amount of these bonds is adjusted semi-annually and at June 30 to reflect the increased liability, with a corresponding charge to interest expense.

- D. Unearned Revenue. When the Authority issues bonds to finance capital projects, the par amount of the bonds is adjusted by certain amounts (such as bond discount/premium, underwriters' fees, and other costs of issuance) in order to arrive at the amount of bond proceeds available for capital expenditures. These amounts, discussed above, are capitalized and amortized pursuant to accounting principles generally accepted in the United States of America. A similar situation arises when accounting for the loans to the higher education institutions and local education agencies. Because of the adjustments mentioned above (discount, costs

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

of issuance, etc.), the principal amount of the loan differs from the actual amount of funds available for capital expenditures. Because the higher education institutions and the local education agencies bear the cost of this difference, it is carried on the statement of net assets as unearned revenue and amortized on a straight-line basis over the life of the related bond.

The Authority requires the higher education institutions to contribute funds to the Interest Rate Reserve Fund based on the amount of outstanding commercial paper. The principal of the Interest Rate Reserve Fund is credited back to the institution as commercial paper is redeemed. The Interest Rate Reserve Fund is reported on the statement of net assets as unearned revenue and is not amortized.

NOTE 2. DEPOSITS AND INVESTMENTS

The investments under the Higher Education First Program General Bond Resolution of the Tennessee State School Bond Authority can be invested in direct obligations of the United States, or obligations of which the principal and interest are guaranteed by the United States. Moneys pertaining to the Higher Education Second Program General Bond Resolution and the Qualified Zone Academy Bonds First Program Resolution of the Tennessee State School Bond Authority, pursuant to *Tennessee Code Annotated*, Section 49-3-1205, can be invested in obligations of the United States or its agencies under flexible repurchase agreements which are fully collateralized by obligations of the United States or obligations the timely payment of the principal of and interest on which are guaranteed by the United States, the State Pooled Investment Fund as provided in *Tennessee Code Annotated*, Section 9-4-603, and any other investment authorized by the state investment policy adopted by the State Funding Board pursuant to *Tennessee Code Annotated*, Section 9-4-602.

Deposits

The Tennessee State School Bond Authority has cash on deposit in the Pooled Investment Fund administered by the State Treasurer. The fund's investment policy and required risk disclosures are presented in the *Tennessee Comprehensive Annual Financial Report* for the years ended June 30, 2007, and June 30, 2006. The report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Eight Avenue North, Nashville, Tennessee 37243-0298, or by calling (615) 741-2140.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

The Authority's deposits are held in a financial institution, which participates in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Investments

As of June 30, 2007, the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasury Bills	October 25, 2007	\$ 3,025,361
	December 6, 2007	911,398
	July 26, 2007	1,285,871
U.S. Treasury Securities:		
State and Local Government Series		<u>5,334,802</u>
Total Investments		<u>\$10,557,432</u>

As of June 30, 2007, the Tennessee State School Bond Authority holds two separate State and Local Government Series U.S. Treasury Securities. One security covers the debt of the QZAB borrower's remaining loan balance of \$4,419,476, and the other security covers the remaining loan balance of \$915,326 of the Higher Education borrower's debt.

As of June 30, 2006, the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasury Bills	October 26, 2006	\$ 5,046,159
	September 28, 2006	631,588
U.S. Treasury Securities:		
State and Local Government Series		<u>5,428,862</u>
Total Investments		<u>\$11,106,609</u>

During the fiscal year ended June 30, 2006, one Higher Education borrower paid \$1,047,741 to defease a portion of its debt due to a transaction involving the project in

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

which the debt was issued. The total remaining debt for the borrower was \$277,189,791. The Tennessee State School Bond Authority holds two separate State and Local Government Series U.S. Treasury Securities. One security covers the debt of the QZAB borrower's remaining loan balance, and the other security covers the remaining loan balance of the Higher Education borrower's debt.

Interest Rate Risk

Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2007, and June 30, 2006, the Authority's investments were in U.S. Government obligations which are not considered to have credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Authority will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Authority's investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. At June 30, 2007, and June 30, 2006, the Authority's investments were registered in the name of the Authority.

Concentration of Credit Risk

A concentration of investments in any one single issuer of debt securities presents a greater risk for loss in the event that the issuer fails on its obligations. At June 30, 2007, and June 30, 2006, the Authority's investments were in U.S. Treasury securities.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

Forward Delivery Agreements

On November 24, 2004, the Authority entered into a Forward Delivery Agreement (the "Agreement") with Bank of America, N.A. related to the series 2004 QZAB Bonds. The Agreement guarantees a fixed rate of interest of 3%. Cash from borrowers' loan repayments will be used to purchase securities in accordance with the Agreement. The accumulated funds will be used to redeem the \$12,600,000 series 2004 QZAB Bonds at maturity. As a result of the Agreement, borrowers will repay only \$9,984,800 of the \$12,600,000 principal. The investments will be held by the State Treasurer in the Authority's name. As of June 30, 2007, there is \$1,285,871 invested through the Agreement. As of June 30, 2006, there was \$631,588 invested through the Agreement. The Authority negotiated a "one way" termination provision in the event of counterparty default on the Agreement. The Authority also has the right to optionally terminate the Agreement at any time.

On December 28, 2005, the Authority entered into a Forward Delivery Agreement (the "Agreement") with J.P. Morgan Chase Bank, N.A. related to the series 2005 QZAB Bonds. The Agreement guarantees a fixed rate of interest of 3.64%. Cash from borrowers' loan repayments will be used to purchase securities in accordance with the Agreement. The accumulated funds will be used to redeem the \$17,545,000 series 2005 QZAB Bonds at maturity. As a result of the Agreement, borrowers will repay only \$13,438,510 of the \$17,545,000 principal. The investments will be held by the State Treasurer in the Authority's name. As of June 30, 2007, there is \$911,398 invested through the Agreement. As of June 30, 2006, there were no funds invested in the Agreement. The Authority negotiated a "one way" termination provision in the event of counterparty default on the Agreement. The Authority also has the right to optionally terminate the Agreement at any time.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

The total marked to market value of the State's Forward Delivery Agreements for fiscal year 2007 is \$(3,093,126), as reflected in the table below.

Terms of Forward Agreements

	QZAB Series 2004	QZAB Series 2005
Trade Date	11/24/2004	12/28/2005
Provider	Bank of America, N.A	J.P Morgan Chase Bank, N.A.
Notional Amount	\$12,600,000	\$17,545,000
Guaranteed Interest Rate	3.00%	3.64%
Amount Invested in		
Agreement at 6/30/07	\$1,285,871	\$911,398
Amount Invested in		
Agreement at 6/30/06	\$631,588	\$0
Date of Deposits	Nov. 24, 2005 through 2020	Dec. 8, 2006 through 2020
Market Value at 6/30/07	(\$1,517,769)	(\$1,575,357)
Market Value at 6/30/06	(\$1,113,433)	(\$1,259,116)

The Authority did not enter into these agreements as interest rate hedges. Borrowers pay no interest on these bonds. The interest rate credit is established by the federal government. The Forward Delivery Agreements are agreed to as one of the terms of purchase to induce the investor to purchase the bond.

Termination Risk

Termination risk is the risk that a counterparty will terminate a Forward Delivery Agreement at a time when the State owes it a termination payment. The State has mitigated this risk by specifying that the counterparty has the right to terminate only as a result of the following events: the failure by the State, for any reason, to purchase Qualified Securities in accordance with the Agreement; the amount to purchase Qualified Securities on the Delivery date is less than the Scheduled Fund Amount; the State is not in compliance with any covenant or obligation, incorporated by reference in, this Agreement; any representation or warranty of the State contained in the Agreement proves to have been incorrect, false or misleading; insolvency of the State; or the principal amount under the Bonds becomes due and payable for any reason prior to the maturity date.

If the current market interest rate is higher than the fixed interest rate agreed to in the Forward Delivery Agreement, the Forward Delivery Agreement has a negative fair value. In the event of termination under this circumstance, the State owes a termination payment to the counterparty. If the fair value is positive, the State is due a

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

termination payment from the counterparty. As of June 30, 2007, the fair value of the State's Forward Delivery Agreements has a total negative value of (\$3,093,126). As of June 30, 2006, the fair value of the State's Forward Delivery Agreement had a total negative value of (\$2,372,549). Therefore, if the Agreement was terminated, for any reason, the State would owe a termination payment of this amount.

NOTE 3. LOANS RECEIVABLE

Higher Education Facilities Programs

The Authority has entered into financing agreements with both the Board of Trustees of the University of Tennessee (the Board of Trustees) and the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee (the Tennessee Board of Regents). The First Financing Agreement and the Second Financing Agreement (the "Agreements"), are dated May 1, 1967, and November 1, 1997, respectively, as amended. Under the Agreements, the Authority agrees to finance construction projects for the Board of Trustees or the Tennessee Board of Regents. Annual financing charges payable under the Agreements must be sufficient to pay the debt obligations of the Authority and the costs of administering the programs.

Qualified Zone Academy Bonds Program

The Authority has entered into loan agreements with the local education agencies for the 1999 QZABs, dated November 30, 1999; the 2001 QZABs dated December 18, 2001; the 2003 QZABs dated December 23, 2003; the 2004 QZABs dated November 24, 2004; and the 2005 QZABs dated December 28, 2005. Under the agreements, the Authority agrees to finance renovation projects and equipment for the local education agencies. On the annual date of the agreements, the borrower makes an annual principal payment into a bond sinking fund held by the State Treasurer that will pay the bonds at maturity.

NOTE 4. RESTRICTED ASSETS

Cash and Investments

The General Higher Education Facilities Bond Resolution (the First Program) requires that an amount equal to the maximum annual debt service requirement be placed in a debt service reserve account with the trustee. The first general bond resolution is effective for all bonds issued prior to 1998.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

The Higher Education Facilities Second Program General Bond Resolution, effective for all bonds issued in 1998 and thereafter, permits the Authority to satisfy the debt service reserve requirement by maintaining a Reserve Fund Credit Facility. The Authority obtained a surety bond, constituting a Reserve Fund Credit Facility under the Resolution, in lieu of maintaining a debt service reserve fund for the 1998 Series A, B, C, and D; 2000 Series A and B; 2002 Series A; 2004 Series A, B, and C; and 2005 Series A and B Bonds, 2006 Series A and B Bonds, and 2007 Series A, B and C.

The first program bond resolution of the QZABs requires the establishment of a special trust fund, the bond sinking fund account. These accounts represent the funds set aside to redeem the QZABs at maturity.

NOTE 5. DEBT PAYABLE

Higher Education Facilities Programs

- A. Bonds. The bonds issued under the First and Second Program Higher Education Facilities Bond Resolutions constitute special obligations of the Authority. The First Program, which commenced in 1967, is no longer utilized, but any payments by the Boards thereunder will be superior to the Boards' payments under the Second Program Higher Education Facilities Bond Resolution. The principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the bonds are payable solely from the Annual Financing Charges, Legislative Appropriations, and other moneys and securities held or set aside under the Resolutions.
- B. Commercial Paper. Commercial paper constitutes a special obligation of the Authority. Principal of and interest on the commercial paper is payable from the following sources: (i) as to principal only, the proceeds of the sale of commercial paper issued to pay the principal of other outstanding commercial paper, (ii) the proceeds of draws on the Liquidity Facility, (iii) available revenues, (iv) the moneys and securities (if any) on deposit in the Reimbursement Fund and in the Debt Service Fund, (v) the moneys and securities (if any) on deposit in the Project Construction Account for such projects, and (vi) the proceeds of bonds or notes issued to make such payments.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

Qualified Zone Academy Bonds Program

On September 9, 1999, the Authority adopted a Qualified Zone Academy Bond Resolution authorizing the issuance of Qualified Zone Academy Bonds to local education agencies for the purpose of financing eligible costs of certain projects. The State Department of Education recommends the projects to the Authority that should be funded under the QZABs program. The Taxpayer Relief Act of 1997 provided this financial tool whereby interest on QZABs is paid by the federal government in the form of an annual tax credit to the financial institutions that hold the QZABs. The bonds are secured solely by the payments made by the borrowers under the Loan Agreements, including amounts collected from unobligated state-shared taxes in the event of non-payment by the local education agencies and by certain funds held under the Qualified Zone Academy Bond Resolution. The Authority has no taxing power. Furthermore, the State of Tennessee shall not be liable on the bonds and the bonds shall not be a debt of the State of Tennessee.

Changes in debt payable for the year ended June 30, 2007, and 2006 are as follows (expressed in thousands):

	Balance			Balance		Amounts
	July 1, 2006	Additions	Deletions	June 30, 2007		Due Within
						One Year
Commercial paper	\$ 129,046	\$ 131,448	\$ 96,299	\$ 164,195	\$	-
Bonds payable	\$ 589,104	\$ 138,341	\$ 119,512	\$ 607,933	\$	29,501
Less: unamortized bond discount	(854)	-	(294)	(560)		-
Add: unamortized bond premium	12,927	7,228	1,260	18,895		-
Less: unamortized deferred amount on refundings	(18,362)	(4,292)	(1,133)	(21,521)		-
Total bonds payable	\$ 582,815	\$ 141,277	\$ 119,345	\$ 604,747	\$	29,501

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amounts Due Within One Year
Commercial paper	\$ 74,242	\$ 66,000	\$ 11,196	\$ 129,046	\$ -
Bonds payable	\$ 526,686	\$ 84,619	\$ 22,201	\$ 589,104	\$ 27,342
Less: unamortized bond discount	(949)	-	(95)	(854)	-
Add: unamortized bond premium	13,643	93	809	12,927	-
Less: unamortized deferred amount on refundings	(19,293)	-	(931)	(18,362)	-
Total bonds payable	\$ 520,087	\$ 84,712	\$ 21,984	\$ 582,815	\$ 27,342

Additions to bonds payable include accretion of interest in the amount of \$630,632 in 2007 and \$769,346 in 2006.

Bonds and commercial paper payable at June 30, 2007, and June 30, 2006, are as follows (expressed in thousands):

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Bonds Payable:		
1976 Series B at an interest rate of 3.0% maturing to 2011 (original par - \$6,037)	\$ 699	\$ 861
1989 College Saver Bonds with yields of 6.85% to 6.9% maturing to 2010 (at accreted value); (original principal - \$21,935)	7,324	9,453
1996 Refunding Series B at interest rates from 5.0% to 5.25% maturing to 2007 (original par - \$55,300)	-	6,140
1996 Refunding Series C at interest rates from 5.375% to 6.0% maturing to 2007 (original par \$4,045)	-	4,045
1998 Series A at an interest rate of 4.30% maturing to 2008 (original par - \$54,865); see additional disclosures regarding the 2007	1,690	23,280

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

advance refunding		
1998 Series B (Federally Taxable) at interest rates from 5.90% to 6.00% maturing to 2009 (original - par \$15,460)	755	1,095
1998 Refunding Series C at an interest rate of 4.20% maturing to 2008 (original par - \$48,735)	1,460	2,850
1998 Refunding Series D at interest rates from 4.20% to 4.85% maturing to 2021 (original par - \$33,540)	19,265	20,350
2000 Series A at interest rates from 4.625% to 5.125% maturing to 2010 (original par - \$70,680)	6,440	8,395
2000 Series B (Federally Taxable) at an interest rate of 7.15% maturing to 2010 (original par - \$33,730)	7,890	10,170
2002 Series A at an interest rate of 5.00% maturing to 2012 (original par - \$119,135); see additional disclosures regarding the 2007 advance refunding	21,410	87,155
2004 Series A at interest rates from 2.25% to 4.50% maturing to 2026 (original par - \$67,965)	64,030	67,130
2004 Series B at interest rates from 2.25% to 4.50% maturing to 2034 (original par - \$60,575)	55,120	57,065
2004 Series C (Federally Taxable) at interest rates from 2.80% to 5.50% maturing to 2034 (original par - \$37,230)	35,030	36,100
2005 Series A at interest rates from 3.25% to 5.00% maturing to 2030 (original par - \$100,540)	100,540	100,540

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

2005 Series B (Federally Taxable) at interest rates from 4.15% to 4.88% maturing to 2028 (original par - \$30,960)	30,960	30,960
2006 Series A at interest rates from 4.00% to 4.60% maturing to 2036 (original par - \$53,820)	51,805	53,820
2006 Series B at interest rates of 4.00% maturing to 2011 (original par - \$12,485)	9,600	12,485
2007 Series A at interest rates from 4.00% to 5.00% maturing to 2036 (original par - \$33,730)	33,060	-
2007 Series B (Federally Taxable) at interest rates from 5.243% to 5.666% maturing to 2036 (original par - \$14,040)	13,705	-
2007 Series C at interest rates from 4.00% to 5.00% maturing to 2032 (original par - \$89,940)	89,940	-
1999 Qualified Zone Academy Bonds non-interest bearing maturing in 2011 (original par - \$13,290)	13,290	13,290
2001 Qualified Zone Academy Bonds non-interest bearing maturing in 2015 (original par - \$11,330)	11,330	11,330
2003 Qualified Zone Academy Bonds non-interest bearing maturing in 2018 (original par - \$2,445)	2,445	2,445
2004 Qualified Zone Academy Bonds non-interest bearing maturing in 2020 (original par - \$12,600)	12,600	12,600
2005 Qualified Zone Academy Bonds non-interest bearing maturing in 2020 (original par - \$17,545)	17,545	17,545
Total Par Amount of Bonds Payable	607,933	589,104

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

Plus Unamortized Premium/Less Unamortized Discount	18,335	12,073
Bonds Payable Net of Unamortized Premium/Discount	626,268	601,177
Less: Deferred Amount on Refundings	(21,521)	(18,362)
Net Bonds Payable	\$ 604,747	\$ 582,815
Commercial paper, at interest rates from 3.20% to 5.42%	\$ 164,195	\$ 129,046

Debt service requirements to maturity of the bonds payable at June 30, 2007, are as follows (expressed in thousands):

For the Year(s) Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 28,669	\$ 25,965	\$ 54,634
2009	29,842	24,964	54,806
2010	31,024	23,859	54,883
2011	26,332	20,470	46,802
2012	25,677	19,438	45,115
2013-2017	138,457	81,173	219,630
2018-2022	137,291	53,588	190,879
2023-2027	115,413	27,226	142,639
2028-2032	76,442	8,564	85,006
2033-2036	12,025	1,176	13,201
	<u>\$ 621,172</u>	<u>\$ 286,423</u>	<u>\$ 907,595</u>

The above principal for bonds is more than that presented on the accompanying financial statements by \$16.425 million. Of this amount, \$5.096 million represents accretion to date on the unmatured portion of the 1989 College Saver Bonds. This accretion has been reported as bond principal in the accompanying financial statements. In the debt service schedule above, however, it has been reported as interest in the years (2008-2011) in which the bonds mature. The \$16.425 million also includes \$21.521 million, representing the deferred amount on bond refundings. This amount is deducted from bonds payable in the accompanying financial statements but is included in the debt service schedule above.

The Authority may issue taxable and/or tax-exempt bonds. Proceeds for the tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Authority invests, records, and reports these proceeds in the manner set

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. Arbitrage liabilities, when applicable, are reported as a current accrued liability. At June 30, 2007, and 2006, the Authority did not have a liability for arbitrage.

On January 23, 2007, the Authority issued three new series of bonds, 2007 Series A, B and C. The 2007 Series A tax-exempt bond proceeds in the amount of \$33,730,000 were issued to redeem \$25,183,588 of the Authority's tax-exempt commercial paper and the 2007 Series B taxable bond proceeds in the amount of \$14,040,000 were issued to redeem \$3,552,261 of the Authority's taxable commercial paper. The balance of the proceeds of the 2007 Series A and B was used to pay for new construction projects and various costs of issuance. The 2007 Series C tax-exempt bond proceeds in the amount of \$89,940,000 were issued to current refund \$4,940,000 of the 1996 Series B bonds and \$4,045,000 of the 1996 Series C and to advance refund \$19,970,000 aggregate principal amount of the 1998 Series A bonds and \$62,060,000 aggregate principal amount of the 2002 Series A bonds. The 2007 Series C refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,292,157. This amount is reported as a deduction from bonds payable and is being charged to operations through the year 2032. The 2007 Series C refunding resulted in a reduction of total debt service payments of \$5,678,795 over the next 26 years and an economic gain (difference between the present values of the old and new debt service payments) of \$3,747,405. The funds provided for the advance refundings were placed in irrevocable refunding trust funds to pay the interest on the refunded bonds on each interest payment date to and including the respective redemption date and on the respective redemption the redemption price then due on the refunded bonds

On June 14, 2006, the Authority issued two new series of tax-exempt bonds, 2006 Series A and B. The 2006 Series A bonds in the amount of \$53,820,000 and the 2006 Series B bonds in the amount of \$12,485,000 were issued to redeem \$55,474,000 of the Authority's tax-exempt commercial paper. The balance of the proceeds was used to pay for new construction projects and various costs of issuance.

Prior-Year Defeasance of Debt

In prior years, certain Authority bonds were defeased by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. On June 30, 2007, \$146,255,000 of bonds outstanding is considered defeased.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

Commercial Paper Program

The Tennessee State School Bond Authority issues short-term debt to finance certain capital projects for the State of Tennessee's higher education institutions. The maximum principal to be issued by the Authority is \$250,000,000. Commercial paper may be issued as tax-exempt or as taxable. At the program's inception, commercial paper refinanced certain outstanding bond anticipation note indebtedness that the Authority had previously issued to finance capital projects. The commercial paper dealer is J.P. Morgan Chase. At June 30, 2007, \$150,607,000 of tax-exempt commercial paper and \$13,588,000 of taxable commercial paper was outstanding. At June 30, 2006, \$121,726,000 of tax-exempt commercial paper and \$7,320,000 of taxable commercial paper was outstanding.

The maturity of the paper may not exceed 270 days, and the maximum interest rate may not exceed 12%. Upon maturity, the paper is remarketed by the commercial paper dealer, redeemed, or extinguished with long-term debt. Interest rates on commercial paper ranged from 3.20% to 5.42% during the fiscal year. Interest is payable upon maturity.

During the fiscal year ended, June 30, 2007, the Authority changed liquidity providers from WestLB to State Street Bank and Trust Company under a Credit Agreement with an expiry date of March 30, 2014, subject to extension and earlier termination. The total available commitment is \$253,828,125. The obligation of State Street Bank and Trust Company is to purchase unremarketed commercial paper. In the event the liquidity facility is called upon, the Authority must repay the advance on the earlier of (i) the date of such Advance or (ii) the Termination Date. Unless the Authority repays the advance by the Term Loan Closing Date, the principal amount will convert to a term loan with six equal semi-annual payments. In accordance with Financial Accounting Standards Board Statement No. 6, *Classification of Short-Term Obligations Expected to Be Refinanced*, this agreement meets the criteria of a financing agreement; thus, the commercial paper payable is classified as a long-term liability.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

NOTE 6. UNEARNED REVENUE

Changes in unearned revenue for the year ended June 30, 2007, and 2006, are as follows (expressed in thousands):

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Interest rate reserve fund	\$ 579	\$ 541	\$ 427	\$ 693
Other unearned revenue	13,238	4,682	7,807	10,113
Total unearned revenue	<u>\$ 13,817</u>	<u>\$ 5,223</u>	<u>\$ 8,234</u>	<u>\$ 10,806</u>

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Interest rate reserve fund	\$ 279	\$ 350	\$ 50	\$ 579
Other unearned revenue	12,662	1,352	776	13,238
Total unearned revenue	<u>\$ 12,941</u>	<u>\$ 1,702</u>	<u>\$ 826</u>	<u>\$ 13,817</u>

Unearned revenue at June 30, 2007, and June 30, 2006, is as follows (expressed in thousands):

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Interest Rate Reserve Fund	\$ 693	\$ 579
Difference in bond proceeds available for capital expenditure and the par value of bonds to be repaid-adjustments for discount/premium, underwriters' fees, and other costs of issuance:		
1996 Series B bonds; amortized through 2007	-	225
1996 Series C bonds, which was a cross-over refunding of the 1989 Current Interest Bonds; amortized through 2007	-	109

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

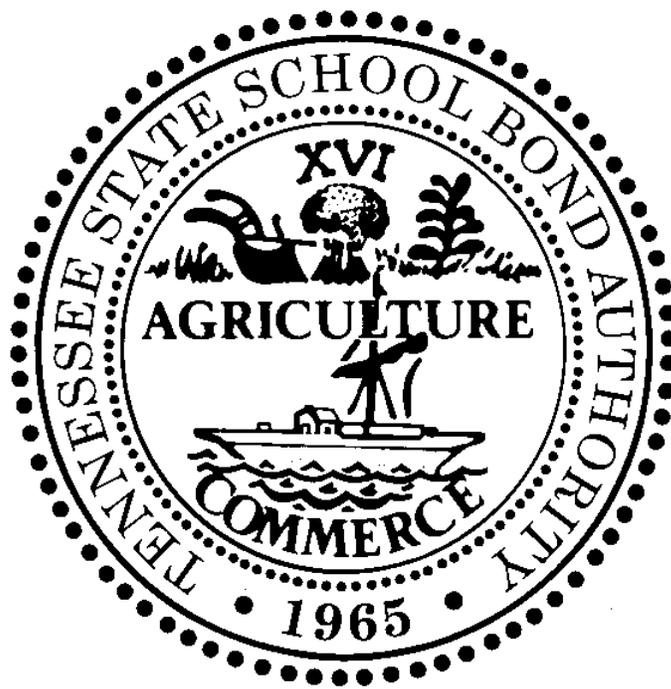
1998 Series A bonds; amortized through 2008	32	268
1998 Series B bonds; amortized through 2009	9	13
1998 Series C bonds; amortized through 2008	23	46
1998 Series D bonds, which was an advance refunding of the 1992 Series A bonds; amortized through 2021	1,938	2,078
1999 Qualified Zone Academy Bonds; amortized through 2012	172	211
2000 Series A bonds; amortized through 2010	75	100
2000 Series B bonds; amortized through 2010	49	65
2001 Qualified Zone Academy Bonds; amortized through 2016	178	199
2002 Series A bonds; amortized through 2012	181	683
2003 Qualified Zone Academy Bonds; amortized through 2019	93	101
2004 Series A bonds; amortized through 2026	4,141	4,362
2004 Series B bonds; amortized through 2034	(1,363)	(1,414)
2004 Series C bonds; amortized through 2034	433	449
2004 Qualified Zone Academy Bonds; amortized through 2020	73	78
2005 Series A bonds; amortized through 2030	82	86
2005 Series B bonds; amortized through 2028	4,051	4,245

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2007, and June 30, 2006

2005 Qualified Zone Academy Bonds; amortized through 2021	515	533
2006 Series A bonds, amortized through 2021	678	726
2006 Series B bonds, amortized through 2011	41	51
2007 Series A bonds; amortized through 2026	(397)	-
2007 Series B bonds; amortized through 2036	142	-
2007 Series C bonds; amortized through 2032	(1,057)	-
Other unearned revenue	24	24
Total	\$ 10,806	\$ 13,817

NOTE 7. SUBSEQUENT EVENTS

On December 7, 2007, the Authority had outstanding \$234,412,000 in tax-exempt commercial paper and \$15,588,000 in taxable commercial paper. Between June 30, 2007, and December 7, 2007, the Authority has issued \$88,376,000 in commercial paper to pay construction expenditures.



SUPPLEMENTARY SCHEDULES



TENNESSEE STATE SCHOOL BOND AUTHORITY
 SUPPLEMENTARY SCHEDULES OF NET ASSETS - PROGRAM LEVEL
 JUNE 30, 2007, AND JUNE 30, 2006

(Expressed in Thousands)

	June 30, 2007			June 30, 2006		
	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total
ASSETS						
Current assets:						
Cash	\$ 23,770	\$ 6,724	\$ 30,494	\$ 83,986	\$ 20,871	\$ 104,857
Cash with fiscal agent	-	-	-	-	-	-
Investments with fiscal agent	32	-	32	216	-	216
Loans receivable	29,406	1,765	31,171	27,249	2,654	29,903
Interest receivable	4,797	16	4,813	4,036	15	4,051
Receivables for administrative fees	418	11	429	372	10	382
Total current assets	58,423	8,516	66,939	115,859	23,550	139,409
Noncurrent assets:						
Restricted cash	5	15,561	15,566	2	11,158	11,160
Restricted investments	3,908	6,617	10,525	5,840	5,051	10,891
Loans receivable	665,830	26,674	692,504	551,444	19,748	571,192
Deferred charges	5,869	886	6,755	5,591	957	6,548
Total noncurrent assets	675,612	49,738	725,350	562,877	36,914	599,791
Total assets	734,035	58,254	792,289	678,736	60,464	739,200
LIABILITIES						
Current liabilities:						
Accounts payable	-	-	-	171	-	171
Due to local education authorities	-	-	-	-	2,143	2,143
Accrued interest payable	4,983	-	4,983	4,611	-	4,611
Unearned revenue	1,353	108	1,461	1,321	92	1,413
Bonds payable	29,501	-	29,501	27,342	-	27,342
Total current liabilities	35,837	108	35,945	33,445	2,235	35,680
Noncurrent liabilities:						
Unearned revenue	8,423	922	9,345	11,373	1,031	12,404
Commercial paper payable	164,195	-	164,195	129,046	-	129,046
Bonds payable	518,104	57,143	575,247	498,343	57,130	555,473
Total noncurrent liabilities	690,722	58,065	748,787	638,762	58,161	696,923
Total liabilities	726,559	58,173	784,732	672,207	60,396	732,603
NET ASSETS						
Unrestricted	\$ 7,476	\$ 81	\$ 7,557	\$ 6,529	\$ 68	\$ 6,597

TENNESSEE STATE SCHOOL BOND AUTHORITY
 SUPPLEMENTARY SCHEDULES OF REVENUES,
 EXPENSES AND CHANGES IN NET ASSETS - PROGRAM LEVEL
 FOR THE YEARS ENDED JUNE 30, 2007, AND JUNE 30, 2006

(Expressed in Thousands)

	Year ended June 30, 2007			Year ended June 30, 2006		
	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total
OPERATING REVENUES						
Revenue from loans	\$ 30,048	\$ 109	\$ 30,157	\$ 26,734	\$ 107	\$ 26,841
Investment earnings	1,973	2	1,975	1,746	15	1,761
Total operating revenues	<u>32,021</u>	<u>111</u>	<u>32,132</u>	<u>28,480</u>	<u>122</u>	<u>28,602</u>
OPERATING EXPENSES						
Interest expense-commercial paper	4,405	-	4,405	3,482	-	3,482
Interest expense-bonds	24,078	13	24,091	22,981	13	22,994
Subsidy to borrowers	1,578	-	1,578	1,440	-	1,440
Administrative expense	649	14	663	528	11	539
Amortization of bond issuance costs	364	71	435	279	71	350
Total operating expenses	<u>31,074</u>	<u>98</u>	<u>31,172</u>	<u>28,710</u>	<u>95</u>	<u>28,805</u>
Operating income (loss) and change in net assets	947	13	960	(230)	27	(203)
Net assets, July 1	<u>6,529</u>	<u>68</u>	<u>6,597</u>	<u>6,759</u>	<u>41</u>	<u>6,800</u>
Net assets, June 30	<u>\$ 7,476</u>	<u>\$ 81</u>	<u>\$ 7,557</u>	<u>\$ 6,529</u>	<u>\$ 68</u>	<u>\$ 6,597</u>

TENNESSEE STATE SCHOOL BOND AUTHORITY
SUPPLEMENTARY SCHEDULES OF CASH FLOWS - PROGRAM LEVEL
FOR THE YEARS ENDED JUNE 30, 2007, AND JUNE 30, 2006

	(Expressed in Thousands)					
	Year ended June 30, 2007			Year ended June 30, 2006		
	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from borrowers for administrative fees	\$ 375	\$ 17	\$ 392	\$ 361	\$ 12	\$ 373
Payment to suppliers	(668)	(14)	(682)	(528)	(11)	(539)
Receipts from borrowers to the interest rate reserve fund	541	-	541	349	-	349
Payments to borrowers from the interest rate reserve fund	(427)	-	(427)	(50)	-	(50)
Net cash provided by (used in) operating activities	<u>(179)</u>	<u>3</u>	<u>(176)</u>	<u>132</u>	<u>1</u>	<u>133</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Proceeds from sale of bonds	48,264	-	48,264	66,133	17,106	83,239
Proceeds from sale of refunding bonds	95,929	-	95,929	-	-	-
Proceeds from sale of commercial paper	131,448	-	131,448	66,000	-	66,000
Bond issuance costs paid	(291)	-	(291)	(372)	(100)	(472)
Refunding bond proceeds placed in escrow	(95,881)	-	(95,881)	-	-	-
Principal paid - bonds and commercial paper	(124,796)	-	(124,796)	(33,397)	-	(33,397)
Interest paid - bonds and commercial paper	(27,473)	-	(27,473)	(25,005)	-	(25,005)
Subsidy to borrowers	(1,621)	-	(1,621)	(1,459)	-	(1,459)
Net cash provided by noncapital financing activities	<u>25,579</u>	<u>-</u>	<u>25,579</u>	<u>71,900</u>	<u>17,006</u>	<u>88,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	(10,383)	(1,567)	(11,950)	(16,192)	(631)	(16,823)
Proceeds from sales and maturities of investments	12,608	-	12,608	18,980	-	18,980
Interest received on investments	1,719	-	1,719	1,372	-	1,372
Loans issued	(145,269)	(12,585)	(157,854)	(87,820)	(8,204)	(96,024)
Collection of loan escrow	-	-	-	1,048	-	1,048
Loan escrow paid	(130)	-	(130)	(44)	-	(44)
Collections of loan principal	28,297	4,404	32,701	29,784	3,649	33,433
Interest received on loans	27,545	1	27,546	24,514	-	24,514
Net cash used in investing activities	<u>(85,613)</u>	<u>(9,747)</u>	<u>(95,360)</u>	<u>(28,358)</u>	<u>(5,186)</u>	<u>(33,544)</u>
Net increase (decrease) in cash	(60,213)	(9,744)	(69,957)	43,674	11,821	55,495
Cash, July 1	83,988	32,029	116,017	40,314	20,208	60,522
Cash, June 30	<u>\$ 23,775</u>	<u>\$ 22,285</u>	<u>\$ 46,060</u>	<u>\$ 83,988</u>	<u>\$ 32,029</u>	<u>\$ 116,017</u>
Reconciliation of cash to the Statement of Net Assets:						
Cash	\$ 23,770	\$ 6,724	\$ 30,494	\$ 83,986	\$ 20,871	\$ 104,857
Restricted cash	5	15,561	15,566	2	11,158	11,160
Cash, June 30	<u>\$ 23,775</u>	<u>\$ 22,285</u>	<u>\$ 46,060</u>	<u>\$ 83,988</u>	<u>\$ 32,029</u>	<u>\$ 116,017</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 947	\$ 13	\$ 960	\$ (230)	\$ 27	\$ (203)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Amortization of bond issuance costs	364	71	435	279	71	350
Investment earnings	(1,973)	(2)	(1,975)	(1,746)	(15)	(1,761)
Interest expense	28,483	13	28,496	26,463	13	26,476
Subsidy to borrowers	1,578	-	1,578	1,440	-	1,440
Interest income from loans	(29,627)	(92)	(29,719)	(26,362)	(93)	(26,455)
Changes in assets and liabilities:						
(Increase) decrease in receivables for administrative fees	(46)	-	(46)	(11)	(2)	(13)
(Increase) decrease in payables for administrative fees	(19)	-	(19)	-	-	-
Increase (decrease) in unearned revenue	114	-	114	299	-	299
Total adjustments	<u>(1,126)</u>	<u>(10)</u>	<u>(1,136)</u>	<u>362</u>	<u>(26)</u>	<u>336</u>
Net cash provided by (used in) operating activities	<u>\$ (179)</u>	<u>\$ 3</u>	<u>\$ (176)</u>	<u>\$ 132</u>	<u>\$ 1</u>	<u>\$ 133</u>
Noncash financing activities:						
Accretion of capital appreciation bonds	\$ 631	\$ -	\$ 631	\$ 769	\$ -	\$ 769
Bond issuance costs	(6,077)	-	(6,077)	391	100	491
Total noncash financing activities	<u>\$ (5,446)</u>	<u>\$ -</u>	<u>\$ (5,446)</u>	<u>\$ 1,160</u>	<u>\$ 100</u>	<u>\$ 1,260</u>
Noncash investing activities:						
Net appreciation in value of investments reported at fair value	\$ 29	\$ -	\$ 29	\$ 75	\$ -	\$ 75



STATISTICAL SECTION



**TENNESSEE STATE SCHOOL BOND AUTHORITY
SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR FISCAL YEARS 2001 TO 2007**

(Expressed in Thousands)

	For the Year Ended						
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
OPERATING REVENUES							
Revenue from loans	\$ 30,157	\$ 26,841	\$ 27,027	\$ 22,956	\$ 24,927	\$ 21,553	\$ 21,712
Investment earnings	1,975	1,761	1,138	423	781	1,056	2,624
Total operating revenues	<u>32,132</u>	<u>28,602</u>	<u>28,165</u>	<u>23,379</u>	<u>25,708</u>	<u>22,609</u>	<u>24,336</u>
OPERATING EXPENSES							
Interest expense-commercial paper	4,405	3,482	939	515	353	1,177	3,365
Interest expense-bonds	24,091	22,994	24,916	21,758	24,092	19,988	17,240
Subsidy to borrowers	1,578	1,440	847	340	2,382	811	1,655
Administrative expense	663	539	548	527	457	545	644
Amortization of bond issuance costs	435	350	295	229	205	164	135
Total operating expenses	<u>31,172</u>	<u>28,805</u>	<u>27,545</u>	<u>23,369</u>	<u>27,489</u>	<u>22,685</u>	<u>23,039</u>
Operating income (loss) and change in net assets	960	(203)	620	10	(1,781)	(76)	1,297
Net assets, July 1	<u>6,597</u>	<u>6,800</u>	<u>6,180</u>	<u>6,170</u>	<u>7,951</u>	<u>8,027</u>	<u>6,730</u>
Net assets, June 30	<u>\$ 7,557</u>	<u>\$ 6,597</u>	<u>\$ 6,800</u>	<u>\$ 6,180</u>	<u>\$ 6,170</u>	<u>\$ 7,951</u>	<u>\$ 8,027</u>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2001 - 2007 are available.

**TENNESSEE STATE SCHOOL BOND AUTHORITY
OUTSTANDING LOANS FROM BORROWERS
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

Fiscal Year	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total
2007	\$ 695,235	\$ 28,439	\$ 723,674
2006	578,694	22,401	601,095
2005	520,133	15,766	535,899
2004	477,867	17,375	495,242
2003	454,173	13,556	467,729
2002	416,264	9,485	425,749
2001	382,606	5,272	387,878
2000	343,643	-	343,643
1999	457,342	-	457,342
1998	361,249	-	361,249

**TENNESSEE STATE SCHOOL BOND AUTHORITY
OUTSTANDING DEBT PAYABLE
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

Fiscal Year	Higher Education Facilities Programs			Qualified Zone Academy Bonds Program		Total
	Bonds	Commercial Paper	Bond Anticipation Notes	QZAB Bonds		
2007	\$ 547,605	\$ 164,195	\$ -	\$ 57,142	\$ 768,942	
2006	525,685	129,046	-	57,130	711,861	
2005	480,515	74,242	-	39,572	594,329	
2004	500,426	32,156	-	26,959	559,541	
2003	425,282	46,747	-	24,527	496,556	
2002	446,620	13,757	-	24,516	484,893	
2001	346,050	60,277	-	13,175	419,502	
2000	258,651	102,700	-	13,163	374,514	
1999	329,562	162,050	-	-	491,612	
1998	318,696	91,750	-	-	410,446	

Note:

QZAB bonds were obtained in fiscal year 2000.

Commercial paper was first obtained in fiscal year 1998 and replaced the bond anticipation notes.

STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN YEARS

(Expressed in Thousands)

UNIVERSITY OF TENNESSEE

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non Authority)	Debt Service Requirements (Authority Bonds)
2007	\$ 532,582	\$ 471,730	\$ 45	\$ 26,652
2006	484,786	440,014	56	23,896
2005	448,955	430,412	66	25,317
2004	417,191	406,033	75	24,508
2003	413,632	409,612	-	24,804
2002	438,956	406,146	21	18,628
2001	401,918	408,671	21	16,872
2000	410,086	375,872	21	24,431
1999	622,109	373,207	21	28,657
1998	559,661	367,938	21	26,891

AUSTIN PEAY STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non Authority)	Debt Service Requirements (Authority Bonds)
2007	\$ 43,904	\$ 34,977	\$ -	\$ 2,253
2006	39,907	32,684	-	2,104
2005	34,012	32,216	-	2,242
2004	33,058	30,712	48	1,515
2003	36,201	31,100	48	1,516
2002	33,157	30,484	48	649
2001	26,555	28,051	48	649
2000	24,288	28,001	48	651
1999	23,188	27,444	48	672
1998	20,420	25,559	48	641

EAST TENNESSEE STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Prior and Subordinate Debt Service Requirements (Non Authority)	Debt Service Requirements (Authority Bonds)
2007	\$ 80,825	\$ 91,709	\$ 2,070	\$ 2,895
2006	79,200	86,173	2,242	2,221
2005	77,284	83,221	312	2,824
2004	77,570	79,247	315	2,609
2003	68,805	79,735	319	2,608
2002	65,342	77,965	261	1,916
2001	59,516	75,937	261	1,954
2000	64,386	72,837	258	1,743
1999	64,652	70,814	-	1,588
1998	57,826	67,202	-	1,597

MIDDLE TENNESSEE STATE UNIVERSITY

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 98,470	\$ 94,005	\$ -	\$ 7,875
2006	96,307	86,971	-	6,455
2005	86,644	85,305	-	6,937
2004	84,404	81,057	-	6,540
2003	71,185	82,144	-	6,537
2002	62,437	77,990	-	5,472
2001	86,328	76,159	-	4,886
2000	78,317	73,273	-	3,357
1999	70,530	70,576	-	1,872
1998	62,814	64,469	-	1,668

TENNESSEE STATE UNIVERSITY

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 60,841	\$ 55,719	\$ -	\$ 2,911
2006	59,094	44,939	-	2,893
2005	55,752	42,305	-	3,001
2004	53,840	40,621	-	3,136
2003	57,939	39,040	-	3,137
2002	45,119	35,067	-	2,193
2001	54,979	34,843	66	2,056
2000	52,156	36,337	66	1,470
1999	46,423	35,597	66	1,257
1998	39,141	32,052	135	1,157

TENNESSEE TECHNOLOGICAL UNIVERISTY

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 52,390	\$ 51,042	\$ -	\$ 1,242
2006	48,903	48,503	-	1,042
2005	44,801	47,869	-	1,168
2004	47,194	40,165	-	897
2003	53,518	45,813	-	415
2002	41,311	40,392	-	639
2001	37,065	43,568	-	844
2000	33,791	38,938	-	1,075
1999	31,616	39,259	-	1,145
1998	28,831	37,699	-	1,150

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STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN YEARS

(Expressed in Thousands)

UNIVERSITY OF MEMPHIS

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 154,742	\$ 116,006	\$ -	\$ 6,013
2006	148,290	108,395	-	4,993
2005	134,065	106,393	-	5,609
2004	128,880	100,602	-	6,291
2003	127,638	102,139	-	6,334
2002	120,196	99,786	-	3,777
2001	114,031	97,499	-	2,353
2000	102,186	94,289	-	3,054
1999	93,593	93,576	-	2,991
1998	80,625	89,924	-	2,889

CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 15,608	\$ 23,697	\$ -	\$ 280
2006	19,084	22,336	-	69
2005	12,306	21,977	-	73
2004	11,937	20,979	65	73
2003	13,428	21,108	60	73
2002	12,380	21,233	70	73
2001	11,650	20,684	69	34
2000	11,074	20,234	72	-
1999	10,453	19,602	69	-
1998	9,818	18,589	68	-

CLEVELAND STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 4,215	\$ 10,705	\$ -	\$ 169
2006	3,714	9,812	-	-
2005	3,324	9,706	-	-
2004	4,085	9,176	-	-
2003	3,191	9,338	-	-
2002	3,213	9,422	-	-
2001	3,952	9,072	-	-
2000	3,726	8,843	-	-
1999	3,484	8,519	-	-
1998	3,424	7,977	-	-

COLUMBIA STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 13,829	\$ 13,710	\$ -	\$ 17
2006	13,027	12,731	-	17
2005	12,133	12,839	-	17
2004	10,799	11,344	-	-
2003	14,921	11,540	-	-
2002	13,136	11,437	-	-
2001	7,294	11,016	-	-
2000	6,836	10,675	-	-
1999	6,615	10,143	-	-
1998	5,753	9,069	-	-

DYERSBURG STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 3,026	\$ 7,255	\$ -	\$ 117
2006	3,550	6,490	-	-
2005	3,087	6,386	-	-
2004	3,057	6,035	-	-
2003	2,514	6,108	-	-
2002	2,349	5,579	-	-
2001	3,127	5,809	-	-
2000	2,918	5,666	-	-
1999	2,859	5,466	-	-
1998	2,534	5,125	-	-

JACKSON STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 14,821	\$ 12,553	\$ -	\$ 168
2006	12,172	11,480	-	-
2005	11,560	11,282	-	-
2004	10,420	10,610	-	-
2003	8,638	10,768	-	-
2002	5,468	10,477	-	-
2001	6,376	10,210	-	-
2000	5,808	9,417	-	-
1999	5,375	9,028	-	-
1998	4,541	8,343	-	-

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STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN YEARS

(Expressed in Thousands)

MOTLOW STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 16,152	\$ 10,446	\$ -	\$ 171
2006	9,861	9,585	-	-
2005	12,184	9,489	-	-
2004	9,173	8,893	-	-
2003	9,937	9,041	-	-
2002	9,759	8,864	-	-
2001	9,648	8,405	-	-
2000	9,663	8,187	-	-
1999	9,227	7,883	-	-
1998	7,275	7,390	-	-

NASHVILLE STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 15,828	\$ 15,185	\$ -	\$ 13
2006	15,615	14,045	-	13
2005	13,955	13,449	-	13
2004	12,202	12,730	-	13
2003	13,519	13,099	-	13
2002	8,254	12,525	-	-
2001	8,322	12,168	-	-
2000	7,474	11,655	-	-
1999	6,816	11,092	-	-
1998	6,260	9,864	-	-

NORTHEAST STATE TECHNICAL COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 8,410	\$ 12,388	\$ -	\$ 212
2006	6,342	11,275	-	-
2005	5,949	11,084	-	-
2004	5,508	10,514	-	-
2003	4,478	10,669	-	-
2002	4,066	9,864	-	-
2001	4,817	9,595	-	-
2000	4,341	9,026	-	-
1999	3,910	8,713	-	-
1998	3,494	8,166	-	-

PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 26,825	\$ 20,765	\$ -	\$ 293
2006	29,979	19,348	-	-
2005	27,694	19,039	-	-
2004	25,818	18,096	-	-
2003	22,727	18,345	-	-
2002	21,648	18,185	-	-
2001	18,779	17,596	-	-
2000	16,623	17,144	131	-
1999	16,162	16,630	114	-
1998	14,403	15,444	121	-

ROANE STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 8,822	\$ 17,892	\$ -	\$ 330
2006	8,858	16,933	-	-
2005	7,890	16,741	-	-
2004	7,473	15,518	-	-
2003	9,532	15,779	-	-
2002	8,589	15,771	-	-
2001	7,697	15,524	-	-
2000	7,565	14,879	-	-
1999	6,940	14,254	-	-
1998	6,268	13,441	-	-

SOUTHWEST TENNESSEE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 22,042	\$ 38,723	\$ -	\$ 174
2006	18,166	36,905	-	169
2005	16,749	36,210	-	179
2004	16,472	34,191	-	179
2003	21,839	34,827	-	179
2002	19,022	35,175	-	146
2001	18,325	34,451	-	146
2000	10,838	18,464	-	56
1999	9,991	18,527	-	-
1998	9,837	17,898	-	-

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STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN YEARS

(Expressed in Thousands)

VOLUNTEER STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 10,460	\$ 18,175	\$ -	\$ 140
2006	19,245	17,479	-	17
2005	19,115	18,049	-	17
2004	9,395	15,417	-	-
2003	12,941	15,813	-	-
2002	15,060	15,862	-	-
2001	15,567	15,394	-	-
2000	17,843	14,947	-	-
1999	15,088	14,323	-	-
1998	13,046	13,232	-	-

WALTERS STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements (Authority Bonds)</u>
2007	\$ 36,511	\$ 18,394	\$ -	\$ 294
2006	28,946	16,999	-	-
2005	21,318	16,780	-	-
2004	20,827	15,821	-	-
2003	20,031	16,045	-	-
2002	17,832	15,595	-	-
2001	10,170	15,173	-	-
2000	9,001	14,767	-	-
1999	8,408	14,265	-	-
1998	8,350	13,132	-	-

**STATE OF TENNESSEE
 COVERAGE OF ANNUAL FINANCING CHARGES
 LONG-TERM DEBT SECURED BY FINANCING AGREEMENTS¹
 COLLEGE AND UNIVERSITY FUNDS
 FOR THE LAST TEN YEARS**

(Expressed in Thousands)

UNIVERSITY OF TENNESSEE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 532,582	\$ 471,730	\$ 27,157	19.61 X	36.98 X
2006	484,786	440,014	24,425	19.85 X	37.86 X
2005	448,955	430,412	25,854	17.37 X	34.01 X
2004	417,191	406,033	24,822	16.81 X	33.17 X
2003	413,632	409,612	25,138	16.45 X	32.75 X
2002	438,956	406,146	20,703	21.20 X	40.82 X
2001	401,918	408,671	18,814	21.36 X	43.08 X
2000	410,086	375,872	16,876	24.30 X	46.57 X
1999	622,109	373,207	24,589	25.30 X	40.48 X
1998	559,661	367,938	28,793	19.44 X	32.22 X

AUSTIN PEAY STATE UNIVERSITY

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 43,904	\$ 34,977	\$ 2,335	18.80 X	33.78 X
2006	39,907	32,684	2,162	18.46 X	33.58 X
2005	34,012	32,216	2,304	14.76 X	28.74 X
2004	33,058	30,712	1,546	21.38 X	41.25 X
2003	36,201	31,100	1,548	23.39 X	43.48 X
2002	33,157	30,484	621	53.39 X	102.48 X
2001	26,555	28,051	623	42.62 X	87.65 X
2000	24,288	28,001	623	38.99 X	83.93 X
1999	23,188	27,444	655	35.40 X	77.30 X
1998	20,420	25,559	675	30.25 X	68.12 X

EAST TENNESSEE STATE UNIVERSITY

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 80,825	\$ 91,709	\$ 2,943	27.46 X	58.63 X
2006	79,200	86,173	2,261	35.03 X	73.14 X
2005	77,284	83,221	2,881	26.83 X	55.71 X
2004	77,570	79,247	2,660	29.16 X	58.95 X
2003	68,805	79,735	2,661	25.86 X	55.82 X
2002	65,342	77,965	2,117	30.87 X	67.69 X
2001	59,516	75,937	1,946	30.58 X	69.61 X
2000	64,386	72,837	1,984	32.45 X	69.16 X
1999	64,652	70,814	1,765	36.63 X	76.75 X
1998	57,826	67,202	1,600	36.14 X	78.14 X

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**STATE OF TENNESSEE
COVERAGE OF ANNUAL FINANCING CHARGES
LONG-TERM DEBT SECURED BY FINANCING AGREEMENTS¹
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

MIDDLE TENNESSEE STATE UNIVERSITY

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 98,470	\$ 94,005	\$ 8,036	12.25 X	23.95 X
2006	96,307	86,971	6,626	14.53 X	27.66 X
2005	86,644	85,305	7,103	12.20 X	24.21 X
2004	84,404	81,057	6,673	12.65 X	24.80 X
2003	71,185	82,144	6,675	10.66 X	22.97 X
2002	62,437	77,990	5,978	10.44 X	23.49 X
2001	86,328	76,159	5,571	15.50 X	29.17 X
2000	78,317	73,273	4,987	15.70 X	30.40 X
1999	70,530	70,576	3,427	20.58 X	41.17 X
1998	62,814	64,469	1,883	33.36 X	67.60 X

TENNESSEE STATE UNIVERSITY

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 60,841	\$ 55,719	\$ 2,967	20.51 X	39.29 X
2006	45,616	44,939	2,958	15.42 X	30.61 X
2005	44,167	42,305	3,054	14.46 X	28.31 X
2004	53,840	40,621	3,070	17.54 X	30.77 X
2003	57,939	39,040	3,198	18.12 X	30.32 X
2002	45,119	35,067	2,272	19.86 X	35.29 X
2001	54,979	34,843	2,224	24.72 X	40.39 X
2000	52,156	36,337	2,087	24.99 X	42.40 X
1999	46,423	35,597	1,493	31.09 X	54.94 X
1998	39,141	32,052	1,268	30.87 X	56.15 X

TENNESSEE TECHNOLOGICAL UNIVERSITY

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 52,390	\$ 51,042	\$ 1,261	41.55 X	82.02 X
2006	48,903	48,503	1,066	45.88 X	91.38 X
2005	44,801	47,869	1,190	37.65 X	77.87 X
2004	47,194	40,165	912	51.75 X	95.79 X
2003	53,518	45,813	420	127.42 X	236.50 X
2002	41,311	40,392	756	54.64 X	108.07 X
2001	37,065	43,568	748	49.55 X	107.80 X
2000	33,791	38,938	950	35.57 X	76.56 X
1999	31,616	39,259	1,082	29.22 X	65.50 X
1998	28,831	37,699	1,151	25.05 X	57.80 X

UNIVERSITY OF MEMPHIS

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 154,742	\$ 116,006	\$ 6,114	25.31 X	44.28 X
2006	148,290	108,395	5,197	28.53 X	49.39 X
2005	134,065	106,393	5,792	23.15 X	41.52 X
2004	128,880	100,602	6,378	20.21 X	35.98 X
2003	127,638	102,139	6,432	19.84 X	35.72 X
2002	120,196	99,786	5,884	20.43 X	37.39 X
2001	114,031	97,499	3,846	29.65 X	55.00 X
2000	102,186	94,289	2,387	42.81 X	82.31 X
1999	93,593	93,576	3,078	30.41 X	60.81 X
1998	80,625	89,924	3,004	26.84 X	56.77 X

CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 15,608	\$ 23,697	\$ 282	55.35 X	139.38 X
2006	19,084	22,336	71	268.79 X	583.38 X
2005	12,306	21,977	74	166.30 X	463.28 X
2004	11,937	20,979	74	161.31 X	444.81 X
2003	13,428	21,108	74	181.46 X	466.70 X
2002	12,380	21,233	34	364.12 X	988.62 X
2001	11,650	20,684	-	0.00 X	0.00 X
2000	11,074	20,234	-	0.00 X	0.00 X
1999	10,453	19,602	-	0.00 X	0.00 X
1998	9,818	18,589	-	0.00 X	0.00 X

CLEVELAND STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 4,215	\$ 10,705	\$ 170	24.79 X	87.76 X
2006	3,714	9,812	-	0.00 X	0.00 X
2005	3,324	9,706	-	0.00 X	0.00 X
2004	4,085	9,176	-	0.00 X	0.00 X
2003	3,191	9,338	-	0.00 X	0.00 X
2002	3,213	9,422	-	0.00 X	0.00 X
2001	3,952	9,072	-	0.00 X	0.00 X
2000	3,726	8,843	-	0.00 X	0.00 X
1999	3,484	8,519	-	0.00 X	0.00 X
1998	3,424	7,977	-	0.00 X	0.00 X

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STATE OF TENNESSEE
COVERAGE OF ANNUAL FINANCING CHARGES
LONG-TERM DEBT SECURED BY FINANCING AGREEMENTS¹
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN YEARS

(Expressed in Thousands)

COLUMBIA STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 13,829	\$ 13,710	\$ 18	768.28 X	1529.94 X
2006	13,027	12,731	18	723.72 X	1431.00 X
2005	12,133	12,839	18	674.06 X	1387.33 X
2004	10,799	11,344	-	0.00 X	0.00 X
2003	14,921	11,540	-	0.00 X	0.00 X
2002	13,136	11,437	-	0.00 X	0.00 X
2001	7,294	11,016	-	0.00 X	0.00 X
2000	6,836	10,675	-	0.00 X	0.00 X
1999	6,615	10,143	-	0.00 X	0.00 X
1998	5,753	9,069	-	0.00 X	0.00 X

DYERSBURG STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 3,026	\$ 7,255	\$ 117	25.86 X	87.87 X
2006	3,550	6,490	-	0.00 X	0.00 X
2005	3,087	6,386	-	0.00 X	0.00 X
2004	3,057	6,035	-	0.00 X	0.00 X
2003	2,514	6,108	-	0.00 X	0.00 X
2002	2,349	5,579	-	0.00 X	0.00 X
2001	3,127	5,809	-	0.00 X	0.00 X
2000	2,918	5,666	-	0.00 X	0.00 X
1999	2,859	5,466	-	0.00 X	0.00 X
1998	2,534	5,125	-	0.00 X	0.00 X

JACKSON STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 14,821	\$ 12,553	\$ 169	87.70 X	161.98 X
2006	12,172	11,480	-	0.00 X	0.00 X
2005	11,560	11,282	-	0.00 X	0.00 X
2004	10,420	10,610	-	0.00 X	0.00 X
2003	8,638	10,768	-	0.00 X	0.00 X
2002	5,468	10,477	-	0.00 X	0.00 X
2001	6,376	10,210	-	0.00 X	0.00 X
2000	5,808	9,417	-	0.00 X	0.00 X
1999	5,375	9,028	-	0.00 X	0.00 X
1998	4,541	8,343	-	0.00 X	0.00 X

MOTLOW STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 16,152	\$ 10,446	\$ 173	93.36 X	153.75 X
2006	9,861	9,585	-	0.00 X	0.00 X
2005	12,184	9,489	-	0.00 X	0.00 X
2004	9,173	8,893	-	0.00 X	0.00 X
2003	9,937	9,041	-	0.00 X	0.00 X
2002	9,759	8,864	-	0.00 X	0.00 X
2001	9,648	8,405	-	0.00 X	0.00 X
2000	9,663	8,187	-	0.00 X	0.00 X
1999	9,227	7,883	-	0.00 X	0.00 X
1998	7,275	7,390	-	0.00 X	0.00 X

NASHVILLE STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 15,828	\$ 15,185	\$ 13	1217.54 X	2385.62 X
2006	15,615	14,045	13	1201.15 X	2281.54 X
2005	13,955	13,449	13	1073.46 X	2108.00 X
2004	12,202	12,730	13	938.62 X	1917.85 X
2003	13,519	13,099	13	1039.92 X	2047.54 X
2002	8,254	12,525	-	0.00 X	0.00 X
2001	8,322	12,168	-	0.00 X	0.00 X
2000	7,474	11,655	-	0.00 X	0.00 X
1999	6,816	11,092	-	0.00 X	0.00 X
1998	6,260	9,864	-	0.00 X	0.00 X

NORTHEAST STATE TECHNICAL COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 8,410	\$ 12,388	\$ 214	39.30 X	97.19 X
2006	6,342	11,275	-	0.00 X	0.00 X
2005	5,949	11,084	-	0.00 X	0.00 X
2004	5,508	10,514	-	0.00 X	0.00 X
2003	4,478	10,669	-	0.00 X	0.00 X
2002	4,066	9,864	-	0.00 X	0.00 X
2001	4,817	9,595	-	0.00 X	0.00 X
2000	4,341	9,026	-	0.00 X	0.00 X
1999	3,910	8,713	-	0.00 X	0.00 X
1998	3,494	8,166	-	0.00 X	0.00 X

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**STATE OF TENNESSEE
COVERAGE OF ANNUAL FINANCING CHARGES
LONG-TERM DEBT SECURED BY FINANCING AGREEMENTS¹
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 26,825	\$ 20,765	\$ 296	90.63 X	160.78 X
2006	29,979	19,348	-	0.00 X	0.00 X
2005	27,694	19,039	-	0.00 X	0.00 X
2004	25,818	18,096	-	0.00 X	0.00 X
2003	22,727	18,345	-	0.00 X	0.00 X
2002	21,648	18,185	-	0.00 X	0.00 X
2001	18,779	17,596	-	0.00 X	0.00 X
2000	16,623	17,144	-	0.00 X	0.00 X
1999	16,162	16,630	-	0.00 X	0.00 X
1998	14,403	15,444	-	0.00 X	0.00 X

ROANE STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 8,822	\$ 17,892	\$ 334	26.41 X	79.98 X
2006	8,858	16,933	-	0.00 X	0.00 X
2005	7,890	16,741	-	0.00 X	0.00 X
2004	7,473	15,518	-	0.00 X	0.00 X
2003	9,532	15,779	-	0.00 X	0.00 X
2002	8,589	15,771	-	0.00 X	0.00 X
2001	7,697	15,524	-	0.00 X	0.00 X
2000	7,565	14,879	-	0.00 X	0.00 X
1999	6,940	14,254	-	0.00 X	0.00 X
1998	6,268	13,441	-	0.00 X	0.00 X

SOUTHWEST TENNESSEE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 22,042	\$ 38,723	\$ 179	123.14 X	339.47 X
2006	18,166	36,905	175	103.81 X	314.69 X
2005	16,749	36,210	183	91.52 X	289.39 X
2004	16,472	34,191	183	90.01 X	276.85 X
2003	21,839	34,827	149	146.57 X	380.31 X
2002	19,022	35,175	149	127.66 X	363.74 X
2001	18,325	34,451	150	122.17 X	351.84 X
2000	10,838	18,464	58	186.86 X	505.21 X
1999	9,991	18,527	-	0.00 X	0.00 X
1998	9,837	17,898	-	0.00 X	0.00 X

VOLUNTEER STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 10,460	\$ 18,175	\$ 141	74.18 X	203.09 X
2006	19,245	17,479	17	1132.06 X	2160.24 X
2005	19,115	18,049	17	1124.41 X	2186.12 X
2004	9,395	15,417	-	0.00 X	0.00 X
2003	12,941	15,813	-	0.00 X	0.00 X
2002	15,060	15,862	-	0.00 X	0.00 X
2001	15,567	15,394	-	0.00 X	0.00 X
2000	17,843	14,947	-	0.00 X	0.00 X
1999	15,088	14,323	-	0.00 X	0.00 X
1998	13,046	13,232	-	0.00 X	0.00 X

WALTERS STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations</u>	<u>Annual Financing Charges^{2,3,4}</u>	<u>Coverage By:</u>	
				<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2007	\$ 36,511	\$ 18,394	\$ 297	122.93 X	184.87 X
2006	28,946	16,999	-	0.00 X	0.00 X
2005	21,318	16,780	-	0.00 X	0.00 X
2004	20,827	15,821	-	0.00 X	0.00 X
2003	20,031	16,045	-	0.00 X	0.00 X
2002	17,832	15,595	-	0.00 X	0.00 X
2001	10,170	15,173	-	0.00 X	0.00 X
2000	9,001	14,767	-	0.00 X	0.00 X
1999	8,408	14,265	-	0.00 X	0.00 X
1998	8,350	13,132	-	0.00 X	0.00 X

¹ Includes both the First Program and Second Program Bonds. Excludes Commercial Paper.

² Does not include coverage for debt outstanding as Commercial Paper.

³ Includes the maturity value only, and includes full accretion of College Savings Bonds and certain bonds secured by refunding trusts.

⁴ Annual Financing Charges consist of principal, interest and administrative fee.

**TENNESSEE STATE SCHOOL BOND AUTHORITY
FALL TERM FULL-TIME EQUIVALENT ENROLLMENT
HIGHER EDUCATION FACILITIES INSTITUTIONS
FOR THE LAST TEN YEARS**

Institution ¹	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	% Change		
												2006-07	2002-07	1997-07
Four Year Institutions														
APSU	7,139	7,443	7,336	6,939	6,278	6,079	5,769	5,671	5,721	5,816	5,968	-4.1%	17.4%	19.6%
ETSU**	10,770	10,594	10,185	10,070	9,936	9,664	9,507	9,364	9,638	9,792	9,549	1.7%	11.4%	12.8%
MTSU	19,525	19,355	19,139	19,037	18,735	18,151	17,125	16,339	16,173	15,655	15,455	0.9%	7.6%	26.3%
TSU	7,465	7,464	7,462	7,662	7,716	7,703	7,425	7,431	7,629	7,383	7,168	0.0%	-3.1%	4.1%
TTU	8,312	7,900	7,562	7,559	7,509	7,554	7,327	7,212	7,227	7,112	7,287	5.2%	10.0%	14.1%
UOM	15,747	15,946	15,910	16,128	15,720	15,696	15,890	15,613	15,909	15,771	15,452	-1.2%	0.3%	1.9%
TBR Total	69,412	68,702	67,593	67,394	65,894	64,846	63,043	61,629	62,298	61,529	60,879	1.0%	7.0%	14.0%
UTC	8,168	7,564	7,317	7,326	7,138	7,050	6,955	6,832	7,019	7,040	6,816	8.0%	15.9%	19.8%
UTK*	24,160	24,016	23,642	23,141	22,730	23,221	23,183	22,960	23,277	22,476	21,819	0.6%	4.0%	10.7%
UTM	6,108	5,968	5,833	5,570	5,265	5,311	5,379	5,324	5,278	5,480	5,607	2.3%	15.0%	8.9%
UTMem	3,799	3,583	3,412	2,062	2,008	1,977	1,949	1,999	2,023	2,024	1,949	6.0%	92.1%	94.9%
UT Total	42,748	41,131	40,205	38,099	37,141	37,559	37,466	37,115	37,597	37,020	36,191	3.9%	13.8%	18.1%
Total 4 Yr	112,160	109,833	107,797	105,494	103,035	102,404	100,509	98,744	99,895	98,549	97,070	2.1%	9.5%	15.5%
Two-Year Institutions														
CSTCC	5,044	5,054	4,890	5,124	5,186	5,264	5,269	4,832	5,038	5,140	5,227	-0.2%	-4.2%	-3.5%
CLSCC	2,022	2,034	2,103	2,088	2,224	2,200	2,318	2,083	2,158	2,176	2,376	-0.6%	-8.1%	-14.9%
COSCC	3,003	2,963	3,120	3,145	3,082	3,108	2,984	2,788	2,906	2,947	2,820	1.3%	-3.4%	6.5%
DSCC	1,668	1,693	1,744	1,770	1,819	1,657	1,577	1,563	1,435	1,522	1,533	-1.5%	0.7%	8.8%
JSCC	2,953	2,791	2,573	2,702	2,743	2,713	2,658	2,514	2,548	2,416	2,328	5.8%	8.9%	26.8%
MSCC	2,739	2,566	2,392	2,465	2,436	2,556	2,441	2,199	2,221	2,273	2,287	6.7%	7.2%	19.8%
NSTCC	4,063	4,083	3,142	3,334	3,112	2,968	2,879	2,607	2,601	2,513	2,422	-0.5%	36.9%	67.8%
NSCC	3,387	3,374	4,074	3,889	3,769	3,757	3,631	3,548	3,527	3,492	3,357	0.4%	-9.8%	0.9%
PSTCC	5,446	5,149	4,963	4,963	5,013	5,208	5,151	5,079	5,080	5,258	5,217	5.8%	4.6%	4.4%
RSCC	3,764	3,738	3,603	3,850	3,775	3,767	3,647	3,474	3,797	3,675	3,720	0.7%	-0.1%	1.2%
SSCC	n/a	2,805	2,887	3,193	n/a	n/a	n/a							
STIM	n/a	4,532	4,472	4,660	n/a	n/a	n/a							
STCC***	6,794	7,306	7,332	7,561	7,361	7,141	7,743	7,059	7,338	7,359	7,852	-7.0%	-4.9%	-13.5%
VSCC	4,427	4,677	4,553	4,483	4,426	4,525	4,295	4,138	4,107	4,198	4,236	-5.3%	-2.2%	4.5%
WSCC	3,884	3,872	3,826	3,864	4,067	3,867	3,909	3,665	3,594	3,666	3,807	0.3%	0.4%	2.0%
Total 2 Yr	49,194	49,300	48,315	49,238	49,013	48,729	48,502	45,550	46,349	46,635	47,181	-0.2%	1.0%	4.3%
Grand Total	161,354	159,133	156,112	154,732	152,048	151,133	149,011	144,294	146,244	145,184	144,251	1.9%	6.8%	11.9%

Source –The Tennessee Higher Education Commission

*Includes UT Space Institute and UT Veterinary College

**Includes ETSU Medical School

***Contains combined totals for STIM and SSCC from 1996-99

¹ APSU = Austin Peay State University, ETSU = East Tennessee State University, MTSU = Middle Tennessee State University, TSU = Tennessee State University, TTU = Tennessee Technological University, UOM = University of Memphis, UTC = University of Tennessee at Chattanooga, UTK = University of Tennessee at Knoxville, UTM = University of Tennessee at Martin, UTMem = University of Tennessee at Memphis, CSTCC = Chattanooga State Technical Community College, CLSCC = Cleveland State Community College, COSCC = Columbia State Community College, DSCC = Dyersburg State Community College, JSCC = Jackson State Community College, MSCC = Motlow State Community College, NSTCC = Northeast State Technical Community College, NSCC = Nashville State Community College, PSTCC = Pellissippi State Technical Community College, RSCC = Roane State Community College, SSCC = Shelby State Community College, STIM = State Tennessee Institute in Memphis, STCC = Southwest Tennessee Community College, VSCC = Volunteer State Community College, WSCC = Walters State Community College

**DEBT SERVICE COVERAGE
TENNESSEE STATE SCHOOL BOND AUTHORITY
QUALIFIED ZONE ACADEMY BOND PROGRAM
FOR THE LAST SEVEN YEARS**

(Expressed in Thousands)

BENTON COUNTY SCHOOLS¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
2007	\$ 13,600	\$ 170,281	\$ 183,881	\$ 2,659,577	14.46 x
2006	\$ -	\$ 34,644	\$ 34,644	\$ 2,659,577	76.77 x
2005	-	-	-	2,601,421	0.00 x
2004	-	-	-	-	0.00 x
2003	-	-	-	-	0.00 x
2002	-	-	-	-	0.00 x
2001	-	-	-	-	0.00 x
2000	-	-	-	-	0.00 x

BLOUNT COUNTY SCHOOLS¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
2007	\$ 51,094	\$ -	\$ 51,094	\$ 3,694,465	72.31 x
2006	\$ 51,094	\$ -	\$ 51,094	\$ 3,694,465	72.31 x
2005	-	-	-	3,536,465	0.00 x
2004	-	-	-	-	0.00 x
2003	-	-	-	-	0.00 x
2002	-	-	-	-	0.00 x
2001	-	-	-	-	0.00 x
2000	-	-	-	-	0.00 x

DAVIDSON COUNTY SCHOOLS¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
2007	\$ 414,567	\$ 27,097,653	\$ 27,512,220	\$ 49,999,490	1.82 x
2006	\$ -	\$ 36,019,281	\$ 36,019,281	\$ 49,999,490	1.39 x
2005	-	32,491,787	32,491,787	57,318,885	1.76 x
2004	-	-	-	-	0.00 x
2003	-	-	-	-	0.00 x
2002	-	-	-	-	0.00 x
2001	-	-	-	-	0.00 x
2000	-	-	-	-	0.00 x

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**DEBT SERVICE COVERAGE
TENNESSEE STATE SCHOOL BOND AUTHORITY
QUALIFIED ZONE ACADEMY BOND PROGRAM
FOR THE LAST SEVEN YEARS**

(Expressed in Thousands)

HAMILTON COUNTY SCHOOLS ¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
2007	\$ 90,733	\$ 595,721	\$ 686,454	\$ 6,863,643	10.00 x
2006	\$ 90,733	\$ 595,721	\$ 686,454	\$ 6,863,643	10.00 x
2005	90,733	-	90,733	6,928,633	76.36 x
2004	-	-	-	-	0.00 x
2003	-	-	-	-	0.00 x
2002	-	-	-	-	0.00 x
2001	-	-	-	-	0.00 x
2000	-	-	-	-	0.00 x

HUMBOLDT CITY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
2007	\$ 157,688	\$ 203,028	\$ 360,716	\$ 998,548	2.77 x
2006	\$ 157,688	\$ 203,028	\$ 360,716	\$ 998,548	2.77 x
2005	157,688	203,028	360,716	936,615	2.60 x
2004	157,688	203,028	360,716	936,242	2.60 x
2003	157,688	203,028	360,716	974,979	2.70 x
2002	-	203,028	203,028	1,150,732	5.67 x
2001	-	203,028	203,028	1,022,550	5.04 x
2000	-	203,028	203,028	987,351	4.86 x

KINGSPORT CITY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
2007	\$ 358,034	\$ 802,391	\$ 1,160,425	\$ 5,276,914	4.55 x
2006	\$ 254,767	\$ 609,276	\$ 864,043	\$ 5,276,914	6.11 x
2005	34,474	960,828	995,302	4,906,463	4.93 x
2004	34,474	960,828	995,302	5,117,928	5.14 x
2003	34,474	516,318	550,792	5,064,956	9.20 x
2002	34,474	516,318	550,792	5,231,800	9.50 x
2001	34,474	-	34,474	4,960,186	143.88 x
2000	-	-	-	4,936,183	0.00 x

KNOX COUNTY SCHOOLS

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations	Prior Year State Shared Taxes	Coverage
2007	\$ 215,467	\$ -	\$ 215,467	\$ 8,499,120	39.45 x
2006	\$ 215,467	\$ -	\$ 215,467	\$ 8,499,120	39.45 x
2005	215,467	-	215,467	7,680,837	35.65 x
2004	215,467	-	215,467	8,234,588	38.22 x
2003	215,467	-	215,467	8,561,204	39.73 x
2002	215,467	-	215,467	7,393,451	34.31 x
2001	215,467	5,293	220,760	9,620,232	43.58 x
2000	-	5,154	5,154	7,669,885	1488.04 x

LEXINGTON CITY SCHOOLS ¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations	Prior Year State Shared Taxes	Coverage
2007	\$ 75,529	\$ -	\$ 75,529	\$ 719,822	9.53 x
2006	\$ 75,529	\$ -	\$ 75,529	\$ 719,822	9.53 x
2005	-	-	-	731,862	0.00 x
2004	-	-	-	-	0.00 x
2003	-	-	-	-	0.00 x
2002	-	-	-	-	0.00 x
2001	-	-	-	-	0.00 x
2000	-	-	-	-	0.00 x

LINCOLN COUNTY SCHOOLS ²

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations	Prior Year State Shared Taxes	Coverage
2007	\$ -	\$ -	\$ -	\$ 2,457,894	0.00 x
2006	\$ -	\$ -	\$ -	\$ 2,457,894	0.00 x
2005	10,344	-	10,344	2,387,784	230.84 x
2004	10,342	-	10,342	2,366,314	228.81 x
2003	10,342	-	10,342	2,317,281	224.07 x
2002	10,342	-	10,342	2,344,500	226.70 x
2001	10,342	-	10,342	2,292,559	221.67 x
2000	-	-	-	2,214,402	0.00 x

LOUDON COUNTY SCHOOLS ¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations	Prior Year State Shared Taxes	Coverage
2007	\$ 275,300	\$ -	\$ 275,300	\$ 2,869,279	10.42 x
2006	\$ -	\$ -	\$ -	\$ 2,869,279	0.00 x
2005	-	-	-	2,520,086	0.00 x
2004	-	-	-	2,398,489	0.00 x
2003	-	-	-	-	0.00 x
2002	-	-	-	-	0.00 x
2001	-	-	-	-	0.00 x
2000	-	-	-	-	0.00 x

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**DEBT SERVICE COVERAGE
TENNESSEE STATE SCHOOL BOND AUTHORITY
QUALIFIED ZONE ACADEMY BOND PROGRAM
FOR THE LAST SEVEN YEARS**

(Expressed in Thousands)

MEMPHIS CITY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
2007	\$ 916,756	\$ -	\$ 916,756	\$ 85,380,480	93.13 x
2006	\$ 916,756	\$ -	\$ 916,756	\$ 85,380,480	93.13 x
2005	916,756	-	916,756	78,499,249	85.63 x
2004	844,489	677,652	1,522,141	76,656,061	50.36 x
2003	844,489	1,434,165	2,278,654	76,878,569	33.74 x
2002	369,372	1,434,165	1,803,537	78,916,828	43.76 x
2001	369,372	1,425,894	1,795,266	75,711,759	42.17 x
2000	-	1,418,240	1,418,240	71,766,738	50.60 x

MONTGOMERY COUNTY SCHOOLS ¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
2007	\$ 436,081	\$ -	\$ 436,081	\$ 3,771,758	8.65 x
2006	\$ 176,481	\$ -	\$ 176,481	\$ 3,771,758	21.37 x
2005	176,481	-	176,481	3,688,366	20.90 x
2004	176,481	-	176,481	3,624,016	20.53 x
2003	176,481	-	176,481	3,556,199	20.15 x
2002	-	-	-	3,575,661	0.00 x
2001	-	-	-	3,503,975	0.00 x
2000	-	-	-	3,280,145	0.00 x

OAK RIDGE CITY SCHOOLS ¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
2007	509,419	1,720,776	2,230,195	3,160,774	1.42 x
2006	440,585	1,720,776	2,161,361	3,160,774	1.46 x
2006	440,585	1,720,776	2,161,361	3,160,774	1.46 x
2005	-	1,759,628	1,759,628	2,921,589	1.66 x
2004	-	1,759,628	1,759,628	2,974,953	1.69 x
2003	-	1,258,098	1,258,098	-	0.00 x
2002	-	1,258,098	1,258,098	-	0.00 x
2001	-	1,258,098	1,258,098	-	0.00 x
2000	-	1,258,098	1,258,098	-	0.00 x

RHEA COUNTY SCHOOLS¹**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations	Prior Year State Shared Taxes	Coverage
2007	\$ 112,068	\$ -	\$ 112,068	\$ 2,345,414	20.93 x
2006	\$ 77,568	\$ -	\$ 77,568	\$ 2,345,414	30.24 x
2005	77,568	-	77,568	2,300,870	29.66 x
2004	77,568	-	77,568	2,249,062	28.99 x
2003	77,568	-	77,568	2,208,385	28.47 x
2002	77,568	-	77,568	2,219,179	28.61 x
2001	77,568	-	77,568	2,160,862	27.86 x
2000	-	-	-	2,145,497	0.00 x

SCOTT COUNTY SCHOOLS²**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations	Prior Year State Shared Taxes	Coverage
2007	\$ -	\$ -	\$ -	\$ 2,199,621	0.00 x
2006	\$ -	\$ -	\$ -	\$ 2,199,621	0.00 x
2005	440,000	-	440,000	2,164,159	4.92 x
2004	140,000	-	140,000	2,131,461	15.22 x
2003	115,000	-	115,000	2,089,600	18.17 x
2002	71,206	-	71,206	2,104,216	29.55 x
2001	-	-	-	2,036,463	0.00 x
2000	-	-	-	1,963,312	0.00 x

UNICOI COUNTY SCHOOLS**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations	Prior Year State Shared Taxes	Coverage
2007	\$ 196,506	\$ -	\$ 196,506	\$ 1,541,094	7.84 x
2006	\$ 196,506	\$ -	\$ 196,506	\$ 1,541,094	7.84 x
2005	73,689	-	73,689	1,480,173	20.09 x
2004	73,689	-	73,689	1,514,309	20.55 x
2003	-	-	-	1,489,426	0.00 x
2002	-	15,235	15,235	1,472,841	96.67 x
2001	-	3,597	3,597	1,449,412	402.95 x
2000	-	-	-	1,434,645	0.00 x

Note: The first QZAB bond was issued on November 30, 1999.

Source: Data on State-Shared Taxes is provided by Tennessee Department of Revenue.

¹ Coverage for current and/or prior years is zero due to no QZAB loans or other obligations.

² Borrower has paid-off QZAB loan.

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